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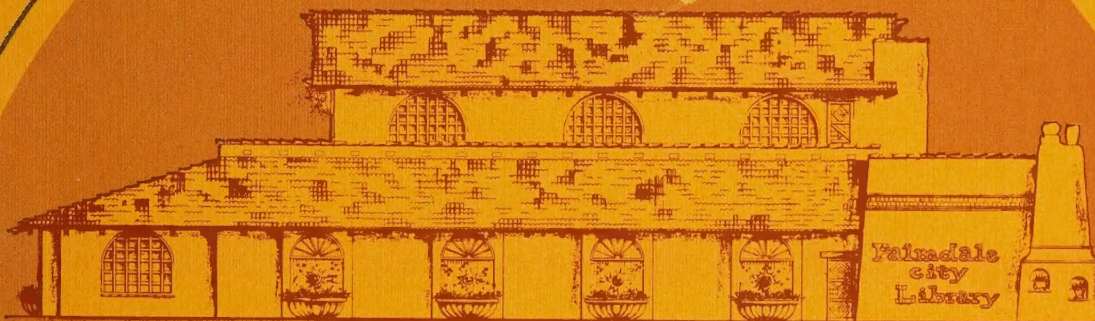


**OFFICIAL STATEMENT
and LEGAL DOCUMENTS**

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UNIVERSITY OF CALIFORNIA



PALMDALE CIVIC AUTHORITY
COUNTY of LOS ANGELES, CALIFORNIA
LEASEHOLD REVENUE BONDS,
ISSUE of 1976
\$2,650,000
PRINCIPAL AMOUNT

PALMDALE CIVIC AUTHORITY

AUTHORITY DIRECTORS

John M. Krauss, *President*
James J. Sloan, *Vice President*
Henry A. Boudreau, *Commissioner*
Lawrence Kemper, *Commissioner*
Byron Wirick, *Commissioner*

PALMDALE CITY COUNCIL

Robert C. St. Clair, *Mayor*
J. Albert White, *Vice Mayor*
Jay E. Lewis
Howard F. Meinke
Lynda Cook

STAFF

Christopher R. Rope, *City Administrator and
Secretary-Treasurer of the Authority*
Patrick K. Rossall, *Assistant City Administrator*
James Kostas, *City Attorney and
Agency General Counsel*
Graham A. Ritchie, *Special Counsel*

SPECIAL SERVICES

Fiscal and Administrative Consultant

James G. Magner, *Los Angeles*

Bond Counsel

James Warren Beebe, A Law Corporation, *Los Angeles*

Architect/Consulting Engineer

Lowell W. Felt, *Palmdale*

Financing Consultant

Hornblower & Weeks-Hemphill, Noyes Incorporated,
San Francisco

Certified Public Accountant

Alexander Grant & Company, *Van Nuys*

Fiscal Agent

United California Bank, *Los Angeles and San Francisco*

Paying Agents

Manufacturers Hanover Trust Co., *New York*
The Northern Trust Company, *Chicago*

Invest. Publ. secur.
Public bldg. Civic center
" works Finance Palmdale
Publ debts Munic Palmdale

THE DATE OF THIS OFFICIAL STATEMENT IS
DECEMBER 6, 1976

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PALMDALE CIVIC AUTHORITY

December 6, 1976

TO WHOM IT MAY CONCERN:

The purpose of this official statement is to furnish information regarding \$2,650,000 principal amount of leasehold revenue bonds to be issued by the Palmdale Civic Authority, a joint powers authority duly created by the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale.

The material contained in this official statement was prepared by Hornblower & Weeks-Hemphill, Noyes Incorporated as financing consultants to and under the direction of the authority. All information contained in this official statement is gathered from sources believed to be reliable but the accuracy thereof is not guaranteed.

All of the following summaries of the Resolution of the Palmdale Civic Authority and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the authority for further information in connection therewith. The covenants of the authority are fully set forth in the Resolution of the Palmdale Civic Authority and this official statement does not constitute a contract with purchasers of bonds. Any statements herein involving estimates and projections may or may not be realized. Any statements herein involving matters of opinion or estimates, whether or not so designated, are to be construed as provisional rather than factual.

The unqualified legal opinion of the bond counsel firm of James Warren Beebe, A Law Corporation, Los Angeles, California, will be furnished to the successful bidder at the time of delivery of the bonds, at the expense of the authority.

The execution and delivery of this official statement have been authorized by the authority.

John M. Krauss
President

No dealer, broker, salesman or other person has been authorized by the Palmdale Civic Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the authority.

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INTRODUCTION

The Palmdale Civic Authority ("authority") was created under a joint exercise of powers agreement between the City of Palmdale (the "city") and the Community Redevelopment Agency of the City of Palmdale ("agency"), dated May 1, 1976. The authority is a public corporation under the laws of the State of California. The authority was formed to enable the city and the agency to exercise their powers jointly in providing public projects, including, without limitation, land acquisition, a city library building, landscaping, off-street parking and structures, improvements and all facilities and improvements related and appurtenant thereto.

The joint powers agreement continues in full force and effect for fifty years or until all of the authority's revenue bonds are paid in full (or adequate provision for such payment is made), whichever date is earlier. After acquiring the site the authority, or the city as agent for the authority, will construct the facilities. The agreement provides that the construction and related costs will be financed from revenue bonds issued by the authority. The city will lease the project, upon completion of the facilities, from the authority. Lease payments by the city to the authority will secure the bonds.

The term of the public facilities lease will run until April 30, 2007, or until the revenue bonds are paid in full or adequate provision for payment is made. The lease will provide that: (a) the city will lease from the authority the project, (b) the city will make fixed semiannual base rental payments, due in advance each May 1 and November 1, in amounts sufficient to meet semiannual revenue bond interest and principal payments due

on the next succeeding June 1 and December 1, respectively and (c) the city will pay additional rental sufficient to meet other charges incurred by the authority.

To ensure completion of the project and prompt payment of the bonds, the following additional measures have been taken: (a) While completion of the project is anticipated by August 1977, base rent will not begin until

May 1, 1978. The first rental payment will meet interest coming due on June 1, 1978. Interest due on December 1, 1977, will be paid from bond proceeds. (b) A bond reserve fund equal to maximum annual debt service will be established initially from bond proceeds and will be maintained over the life of the bonds. (c) Various types of insurance, including earthquake, public liability, title and leasehold, and business interruption, are to be provided when available from reputable insurers on the open market.

TABLE 1
SUMMARY OF ESSENTIAL FACTS

The Bonds	
Principal amount	\$2,650,000
Maturities	1978 - 2006
Denominations	\$5,000
Average life	20.46
Bond years	54,210
Maturities callable 1988 or after	1989 - 2006
Maximum coupon rate	8%
Maximum coupon spread	2%
City Financial Data	
1976/77 assessed valuation	\$74,169,621
Direct bonded indebtedness	None
Overlapping debt	\$16,426,143
City tax rate per \$100	None
Ratio overlapping debt to assessed valuation	22.14%
Available city tax rate for project purposes	\$1.30
\$1.30 city tax rate levy would raise (assumes a 5% delinquency)	\$915,994
Estimated annual city base rent	\$216,500
Estimated tax rate required to cover city base rent	30¢/\$100
Economic Data	
Estimated 1976 population	10,750
Per capita assessed valuation	\$6,899
1975 taxable transactions	\$35,680,000
Area	55 sq. miles

THE AUTHORITY

The Palmdale Civic Authority ("authority") was created May 1, 1976, by a joint exercise of powers agreement between the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale ("agency"). The agreement was made pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Section 6500 et seq. The agreement continues in full force and effect for fifty years or until all of the authority's revenue bonds, the interest thereon and premiums, if any, are paid in full or provision for such payment is made.

The authority exists and acts as a separate entity. The governing board of the authority consists of a commission of five members: three members appointed by the City of Palmdale City Council, and two members by the governing board of the agency. The treasurer and the executive director of the agency serve as treasurer and controller, respectively, of the authority.

The authority has the power to acquire sites for, and acquire, construct, finance and lease, the public buildings and appurtenances necessary or convenient therefor which, together with the site, will constitute the project. When construction of the facilities is completed, the City of Palmdale will lease the project from the authority.

Public Facilities Lease

The city and the authority will enter into a public facilities lease, dated as of December 1, 1976. The term of the lease will expire on April 30, 2007, or on any earlier date that all revenue bonds have been paid or adequate provision for their payment has been made. After acquiring the site, the authority, or the city as agent for the authority, will construct the facilities. Rental payments will be based upon the actual interest rates received on the revenue bonds.

Under terms of the lease, the city will pay the authority semiannually in advance, due each May 1 and November 1, a base rental payment sufficient to meet semiannual interest and annual principal payments on the authority bonds coming due on the next succeeding June 1 and December 1, respectively. The first semiannual base rental payment will be due May 1, 1978, or the date on which the city takes possession of the project, whichever is later. The semiannual rental payments will become delinquent if not paid on or before May 15 and November 15 of each year. The city is required to pay additional rental above the base rental payments for expenses of the authority, such as all taxes and assessments, if any, insurance premiums, and trustee fees. The city will operate the project and will be responsible for all maintenance and operation costs.

The term of the public facilities lease shall be automatically extended for a period equal to the aggregate of all six month periods during which rent is abated, for whatever reason.

THE BONDS

Authority for Issuance

The \$2,650,000 principal amount of Palmdale Civic Authority, Leasehold Revenue Bonds, Issue of 1976, are to be issued pursuant to Resolution No. 76-6 of the Palmdale Civic Authority, adopted December 6, 1976 (the "resolution"). The bonds are being issued under provisions of the Government Code of the State of California (Article 2, Chapter 5, Division 7, Title 1, Section 6540 et seq.).

Description of the Bonds

The \$2,650,000 principal amount of bonds are in the denomination of \$5,000 each and are numbered 1 to 530, inclusive. The bonds are dated December 1, 1976, and are payable annually on December 1 of each year as shown in the maturity schedule.

Interest is payable semiannually on June 1 and December 1 commencing on December 1, 1977. Interest, principal and premium, if any, on the bonds will be payable at the principal office of the trustee of the authority in Los Angeles, California, or, at the option of the holder, at the offices of the paying agents in New York, New York and Chicago, Illinois.

Redemption Provisions

Bonds maturing on or before December 1, 1988, are not subject to call or redemption prior to their fixed maturity dates except as provided in the following paragraph. Bonds maturing on or after December 1, 1989, are subject to call and redemption, at the option of the authority, as a whole, or in part in inverse order of maturity and by lot within a single maturity, on December 1, 1988, or on any interest payment date thereafter. Bonds called for redemption are to be redeemed at a redemption price for each redeemed bond equal to the principal amount thereof, plus accrued interest to the redemption date and the premium shown at right.

In the event of loss of, substantial damage to or condemnation of the project which renders it unusable, all or any part of the bonds may be redeemed at any time by payment of the principal amount and accrued interest to the date of redemption plus a premium as set forth above or 3% if redeemed prior to December 1, 1988.

Notice of Redemption

Notice of redemption is to be published in a financial newspaper or financial journal of national circulation. The first publication must be at least 30 days but not more than 60 days prior to the redemption date. The trustee is also required to give written notice to the owners of any fully registered bonds.

Registration

The bonds are to be initially issued in negotiable form, payable to bearer with coupons attached ("bearer bonds") and are not registrable by endorsement. In accordance with the terms of the resolution, bearer bonds are registrable by exchanging the same for fully registered bonds. Bearer bonds and fully registered bonds are interchangeable in whole or in part for other bearer bonds or fully registered bonds. Such exchange transfers shall be free of any charges, except for any tax or governmental charge that might be imposed.

MATURITY SCHEDULE

<i>Maturity Date December 1</i>	<i>Principal Maturing</i>
1978	\$ 30,000
1979	30,000
1980	35,000
1981	35,000
1982	40,000
1983	45,000
1984	45,000
1985	50,000
1986	50,000
1987	55,000
1988	60,000
1989	65,000
1990	70,000
1991	75,000
1992	80,000
1993	85,000
1994	90,000
1995	95,000
1996	100,000
1997	110,000
1998	120,000
1999	125,000
2000	135,000
2001	145,000
2002	150,000
2003	165,000
2004	175,000
2005	190,000
2006	200,000

PREMIUMS AND REDEMPTION YEARS

<i>Premium</i>	<i>Redemption Year</i>
3 %	1988
2½%	1989
2 %	1990
1½%	1991
1 %	1992
½ %	1993
0 %	1994 - Maturity

Legal Opinion

All proceedings in connection with the issuance of these bonds are subject to the approval of James Warren Beebe, A Law Corporation, Los Angeles, California, bond counsel for the authority. The unqualified opinion of bond counsel attesting to the validity of the bonds will be supplied free of charge to the original purchasers of the bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the successful bidder.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds is exempt from taxes of the United States of America under present federal income tax laws and the bonds and the interest thereon or income therefrom are exempt from all taxation in the State of California other than gift, inheritance and estate taxes.

Security

Bond principal and interest coming due each year are payable from semi-annual lease payments by the City of Palmdale to the authority. Under the terms of the public facilities lease, the city agrees to pay the authority semi-annual fixed base rental, which will be sufficient to pay bond principal and interest, plus additional rental in an amount sufficient to meet other expenses of the authority. The city is obligated to include in its annual budgets the amount of the base rental and a reasonable estimate of additional rental. The bonds, and contracts or obligations entered into to carry out the purposes for which the bonds are issued, and payable in whole or in part from bond proceeds, shall not constitute a debt, liability or obligation of either of the public agencies (City of Palmdale and Community Redevelopment Agency of the City of Palmdale) who are parties to the agreement creating the authority.

The source of money to pay the rent will be the city's general fund and library fund. The city is legally entitled to levy a maximum public library tax of 30¢ per \$100 assessed valuation on all property within the city. Property tax revenue obtained from the public library tax is restricted for library purposes. In addition to the public library tax, the city has the power to levy a general tax of \$1.00 per \$100 assessed valuation even though the city has not levied said \$1.00 tax rate since its incorporation.

Based on the city's 1976/77 assessed valuation, a property tax of less than 30¢ per \$100 of assessed valuation would generate revenues sufficient to meet bond debt service. In addition to the above tax levies (totaling \$1.30 per \$100 assessed valuation) the city's general fund revenue sources include sales and use taxes, aircraft taxes, local transportation taxes, bed taxes, and licenses, franchise and permit fees.

Eligibility as Security for Public Funds

The bonds are eligible to secure deposits of public funds in the banks in the State of California.

Eligibility for National Banks

Application has been made to the U. S. Comptroller of the Currency for a ruling that the Bonds are eligible for purchase, dealing in, underwriting, and unlimited holding by national banks. Underwriters may verify the status of the ruling by calling Hornblower & Weeks-Hemphill, Noyes Incorporated, Financing Consultant to the Authority (415) 982-1961.

Title and Leasehold Insurance

As additional security for the bondholders, the authority will obtain a policy of title insurance from a recognized title insurance company in the principal amount of the bonds plus any accrued interest and premium, if any. The policy shall insure the authority's title in the leasehold estate created by the lease and by an appropriate endorsement shall insure the owner or owners of the bonds against any loss of principal, interest, or other sums secured by the resolution which the owner or owners would sustain in the event the lease were declared invalid, not binding or unenforceable according to its terms. The total liability under the policy will not exceed in the aggregate the amount of the bonds, plus any accrued interest and premium, if any. The policy will become effective on or prior to delivery of the bonds.

The Trustee

The United California Bank will be trustee for the authority. The trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the resolution. In addition to holding and administering the various funds of the authority, the trustee will invest the funds held in trust and will be the recipient of all revenues, as defined in the resolution of the authority. The trustee will also act as paying agent of the authority, paying bond interest and principal. The trustee will act as bond registrar and will authenticate all fully registered bonds.

Creation of Special Funds

The bond resolution provides for the establishment of special funds, all to be held and administered by the trustee. These funds, together with their sources and uses, are shown in Table 2.

Disposition of Bond Proceeds

The bond resolution provides that the proceeds from the sale of the bonds will be deposited with the trustee. The trustee will then place the proceeds in the construction fund from which the following allocations will initially be made:

- 1. To the interest fund an amount which, together with any premium and accrued interest, will equal the interest payable on the bonds on December 1, 1977.
- 2. To the reserve fund an amount equal to the maximum annual debt service.
- 3. To the working capital fund the amount of \$2,500.

Deposit and Application of Revenues

All revenues of the authority as defined in the resolution are pledged to the punctual payment of the bonds and the interest thereon. All revenues will be immediately deposited with the trustee who will credit the moneys to the revenue fund. All moneys in the revenue fund are to be set aside and deposited in special funds as indicated in Table 2 and are to be withdrawn from the special funds only for the purposes set forth.

Interest Fund — Commencing on or before May 15, 1978, and on or before May 15 and November 15 of each year thereafter, the trustee will deposit a sum sufficient, together with the balance then on hand, to pay the interest becoming due on the next succeeding June 1 and December 1, respectively. Moneys in this fund are to be used solely for the purpose of paying the interest on the bonds.

TABLE 2
FUNDS ESTABLISHED UNDER BOND RESOLUTION

<i>Fund</i>	<i>Source</i>	<i>Use</i>
Construction Fund (Sec. 3.04)	Bond proceeds	Acquisition, construction, and related costs. Remaining balance to other funds as indicated in the resolution.
Revenue Fund (Sec. 5.01)	City rental payments	Transfers to Interest, Retirement, and other required Funds.
Interest Fund (Sec. 5.02[a])	Bond proceeds and transfers from Revenue Fund	Bond interest.
Retirement Fund (Sec. 5.02[b])	Transfers from Revenue Fund	Bond principal.
Reserve Fund (Sec. 5.02[c])	Bond proceeds (and Revenue Fund, if required)	Bond principal and interest if moneys in the Interest and Retirement Funds are insufficient therefor.
Working Capital Fund (Sec. 5.02[d])	Bond proceeds, Revenue Fund, and additional rental	Authority's administrative and miscellaneous expense.
Operation and Maintenance Fund Sec. 502[e])	Transfers from Revenue Fund and/or Working Capital Fund	All costs of operation if operated by authority.
Redemption Fund (Sec. 4.05)	Transfers from Revenue Fund or other authorized source	Redemption of bonds before maturity.

Retirement Fund — On or before November 15 of each year, beginning November 15, 1978, the trustee will deposit an amount equal to the aggregate amount of principal due and payable on the outstanding bonds on the next succeeding December 1. Moneys in this fund are to be used solely for the purpose of paying the principal on the bonds.

Reserve Fund — A bond reserve fund equal to the maximum annual debt service will be created from the proceeds of the sale of the bonds and held by the trustee. The fund is to be used solely to pay principal and interest on the bonds in the event no other moneys are available for that purpose and, whenever drawn upon, must be replenished from moneys in the revenue fund. Moneys in the fund may be used to retire the last outstanding bonds of the issue. Any moneys in excess of the amount required to be deposited in this fund shall be deposited in the construction fund prior to completing the project and in the revenue fund after completion of the project.

Working Capital Fund — Moneys in this fund are to be disbursed by the trustee for payment of such items as taxes or assessments, if any, levied upon the project, administrative costs of the authority, trustee's fee, and insurance premiums. A sum of \$2,500 will be initially deposited into the fund and at least this amount must be maintained therein. It is anticipated that revenues from investment of money in the reserve fund and revenue fund, and base rental payments, will provide sufficient moneys to maintain the required balances in the interest, retirement, reserve and working capital funds. However, if additional funds are required for deposit in the working capital fund, the trustee is required to bill the city for additional rental which the city is obligated to pay under the terms of the lease.

Operation and Maintenance Fund — Under the terms of the lease, the city will be responsible for operation and maintenance of the project; however, if at any time the city should default in its obligations under the lease and the authority should operate the project, then the trustee is required to deposit in this fund all amounts which are required to pay for the maintenance and operation of the project.

Surplus

Any balance in the revenue fund on December 15 each year, beginning in 1978, after the above transfers have been made, shall at the direction of the authority be used by the trustee to reimburse the city for any rental previously paid, for the purchase or redemption of bonds, or for additional construction.

Additional Bonds

Section 3.05 of the resolution provides that no additional indebtedness may be incurred having a priority over the bonds currently being offered. Additional bonds may be issued on a parity with the present bonds, subject to the following conditions:

1. The additional bonds must be for the purpose of financing completion of the project or an addition to the project or the overall community center and must be declared by a supplemental resolution to be necessary and lawful.
2. The authority must be in compliance with all covenants of the resolution.
3. Any supplemental resolution shall require that the proceeds from the sale of the additional bonds shall be used only for purposes authorized.
4. The additional bonds must be equally and ratably secured.
5. The additional bonds shall be serial or term bonds maturing on the first day of any interest payment month, with interest payable on December 1 and June 1 of each year.
6. The authority must enter into a revised lease with the city in which the city obligates itself to increase the base rental and additional rental under the lease in amounts sufficient to provide for the payment of the principal of and interest on the additional bonds when due and to make all other necessary payments.
7. The reserve fund must be increased to an amount equal to maximum annual debt service on all bonds and additional bonds to be outstanding.

Additional Covenants

The resolution contains other covenants, including, but not limited to, the following, in which the authority agrees:

1. To punctually pay the principal and interest of the bonds as they become due and to observe and perform all conditions, covenants, and requirements of the resolution.
2. Not to mortgage, encumber, sell, lease, place a charge on, or otherwise dispose of the project or the revenues therefrom, nor to enter into any agreement which impairs the operation of the project or otherwise impairs the rights of the bondholders with respect to the revenues or operation, without making adequate provision to protect the rights of the bondholders.
3. To construct and complete the facilities in conformity with the construction contract.
4. To maintain or cause to be maintained insurance, if such insurance is insurance which is available from reputable insurers on the open market, as follows: (a) against loss or damage to the property resulting from fire, lightning, and other perils in amounts not less than the full insurable value of the properties, as defined in the resolution, or the amount of the authority's outstanding bonds, whichever is less; (b) against war risks in an amount not less than 80% of the full insurable value; (c) against loss or damage from sprinkler system leakage; (d) against explosion of steam boilers and similar pressure vessels; and (e) against earthquake in an amount not less than the full insurable value of the properties, subject to an 80 percent co-insurance clause and with deductible conditions of not more

than 5 percent for any one loss which is less than the face amount of the policy; or in the amount of the authority's outstanding bonds, whichever is less;

- (f) To maintain or cause to be maintained use and occupancy or rental income insurance against fire, lightning, and such other perils ordinarily defined as "extended coverage", in an amount of not less than two years' rental;
- (g) To maintain or cause to be maintained public liability insurance of not less than \$250,000 per person and \$1,000,000 per any one accident and property damage insurance of at least \$50,000;
- (h) To maintain or cause to be maintained workmen's compensation for all persons employed in connection with the project.

The phrase "insurance which is available from reputable insurers on the open market" means standard policies of insurance with standard deductibles offered by reputable insurers in a competitive market.

5. To pay, discharge, or contest any taxes, assessments, or other charges upon the project or the revenues which might impair the security of the bonds, except that the authority may, in good faith, contest any such tax, assessment or charge.
6. To keep proper books of record and accounts and to file with the trustee annually, within 120 days

after the end of each fiscal year, detailed independent certified audits covering the operation of the authority, showing revenues, expenses, insurance in force, and the status of each fund.

7. Not to amend the lease except in the case of one of the following: (a) consent of trustee; (b) as necessary for the issuance of additional or refunding bonds; or (c) written consent of 60% of the bondholders.
8. To maintain or cause to be maintained and to keep in good repair the project and all buildings and equipment.
9. That if for any reason the authority should operate the project, it will fix, prescribe and collect such charges consistent with the continued operations of a public library facility as will be sufficient to pay the principal of and interest on the bonds as they become due, and to pay for all expenses of operation, maintenance, and repair of the project, (collecting, to the extent possible, additional rental from the city for this purpose), and to maintain the special funds provided for in the resolution.
10. To take such action as is required to cause the city to include in its budget and annual appropriations resolution the amounts required to be paid by the city under the lease.

Abatement of Rental

As with all other joint powers authority financing in California for cities and counties, rent can only be paid for use and occupancy of the leased premises. Therefore, the base rental is subject to abatement during any period in which there is substantial interference with the use and occupancy of the leased premises, in proportion to any portion of the leased premises not available for such use and occupancy. The aforementioned authority insurance requirements, the construction period insurance requirements, the reserve fund, and other provisions made to minimize any likelihood of rental abatement and to provide a substitute source to pay bond principal and interest are summarized in Table 4.

Closing Documents

In addition to the opinion of bond counsel, the authority will, at the time of delivery of the bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

1. *Arbitrage Certificate* — A certificate of a responsible officer of the authority that, on the basis of the facts and circumstances in effect at the time of delivery of the bonds, it is not expected that the proceeds of the bonds will be used in a manner that will cause the bonds to be arbitrage bonds.
2. *No Litigation Certificate* — A certificate of a responsible officer of the authority that there is no litigation pending affecting the validity of the bonds.
3. *Signature Certificate* — A certificate of the respective officers and representatives of the authority showing that they have signed the bonds, by manual or facsimile signature, and that they were duly authorized to execute the same.

4. *Treasurer's Receipt* — The receipt of the Treasurer of the authority showing that the purchase price of the bonds, including accrued interest to the date of delivery (if any), has been received by the authority.
5. *Certificate Concerning Official Statement* — A certificate, signed by an appropriate officer of the authority acting in his official capacity, to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the Official Statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (b) between the date of the Official Statement and the date of sale of the bonds, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement; nor (c) has there been any material adverse change in the operation or financial affairs of the authority from the date of such Official Statement to the date of sale.

Bond Service Requirements

Table 3 indicates the estimated bond service based on an interest rate of seven percent. The first rental payment will be due May 1, 1978, and all subsequent rental payments are due at least 30 days before the bond service to which they are applicable becomes due. Assuming a seven percent interest rate, it is currently estimated that the semiannual base rent would be \$108,250, resulting in an annual estimated base rental of \$216,500.

TABLE 3
PALMDALE CIVIC AUTHORITY
ESTIMATED BOND SERVICE AND ESTIMATED BASE RENT

Year	Principal Outstanding Beginning of Year	Estimated Interest at 7%		Principal Maturing December 1	Total Bond Service	Estimated Annual Authority Base Rent Income*
		June 1	December 1			
1977	\$2,650,000	\$ —	\$ 185,500	\$ —	\$ 185,500†	\$ —
1978	2,650,000	92,750	92,750	30,000	215,500	216,500
1979	2,620,000	91,700	91,700	30,000	213,400	216,500
1980	2,590,000	90,650	90,650	35,000	216,300	216,500
1981	2,555,000	89,425	89,425	35,000	213,850	216,500
1982	2,520,000	88,200	88,200	40,000	216,400	216,500
1983	2,480,000	86,800	86,800	45,000	218,600	216,500
1984	2,435,000	85,225	85,225	45,000	215,450	216,500
1985	2,390,000	83,650	83,650	50,000	217,300	216,500
1986	2,340,000	81,900	81,900	50,000	213,800	216,500
1987	2,290,000	80,150	80,150	55,000	215,300	216,500
1988	2,235,000	78,225	78,225	60,000	216,450	216,500
1989	2,175,000	76,125	76,125	65,000‡	217,250	216,500
1990	2,110,000	73,850	73,850	70,000‡	217,700	216,500
1991	2,040,000	71,400	71,400	75,000‡	217,800	216,500
1992	1,965,000	68,775	68,775	80,000‡	217,550	216,500
1993	1,885,000	65,975	65,975	85,000‡	216,950	216,500
1994	1,800,000	63,000	63,000	90,000‡	216,000	216,500
1995	1,710,000	59,850	59,850	95,000‡	214,700	216,500
1996	1,615,000	56,525	56,525	100,000‡	213,050	216,500
1997	1,515,000	53,025	53,025	110,000‡	216,050	216,500
1998	1,405,000	49,175	49,175	120,000‡	218,350	216,500
1999	1,285,000	44,975	44,975	125,000‡	214,950	216,500
2000	1,160,000	40,600	40,600	135,000‡	216,200	216,500
2001	1,025,000	35,875	35,875	145,000‡	216,750	216,500
2002	880,000	30,800	30,800	150,000‡	211,600	216,500
2003	730,000	25,550	25,550	165,000‡	216,100	216,500
2004	565,000	19,775	19,775	175,000‡	214,550	216,500
2005	390,000	13,650	13,650	190,000‡	217,300	216,500
2006	200,000	7,000	7,000	200,000‡	214,000	\$
		\$1,804,600	\$1,990,100	\$2,650,000	\$6,444,700	

* Semiannual base rent for financial planning purposes estimated at \$108,250 or \$216,500 on an annual base rent basis.

† To be paid from funded interest from bond proceeds.

‡ Callable on or after December 1, 1988.

§ It is anticipated that the 2006 principal and interest payments will be made from the Reserve Fund.

TABLE 4
SUMMARY OF SOME OF THE PROTECTIVE PROVISIONS FOR BONDHOLDERS*
PALMDALE CIVIC AUTHORITY LEASEHOLD REVENUE BONDS

I. GENERAL BONDHOLDER PROTECTION

A. Bond Reserve Fund

1. Maximum annual debt service.
2. Initially funded from bond proceeds.
3. Replenished from all moneys available after the deposits required by the Interest Fund and Retirement Fund.

B. Firm construction bids

1. Authority has a firm construction bid of \$458,880 in hand.

C. Public facilities lease

1. Lease requires city to make semiannual base rent payments for use and occupancy of facilities.
2. Lease is enforceable according to its terms.
3. City officials are required to budget rent payments.
4. Rent payments are made directly to bank trustee.
5. Various types of insurance including rental interruption, fire and extended coverage, earthquake and liability insurance, are required to minimize any likelihood of default in the event that the building is unavailable for use and occupancy.

D. James Warren Beebe, A Law Corporation, opinion

1. Bond counsel will issue a legal opinion approving validity of bonds.
2. Bond counsel will issue an opinion that interest payable by the authority on its bonds is exempt from all present federal income taxes and State of California personal income taxes.

II. CONSTRUCTION PERIOD BONDHOLDER PROTECTION

A. Funded interest during construction

1. 12 months' funded interest.
2. Bond Reserve Fund equal to maximum annual debt service is available for debt service.
3. Construction period 180 days for the project.
4. Liquidated damages to be paid by contractor in the event of non-completion of the project at the rate of \$650/day for each calendar day or any portion thereof, of delay beyond December 1, 1977.
5. Balance of money in Construction Fund can be used for principal and interest payments.
6. Interest earnings (estimated at \$25,000) augment Construction Fund.

B. Contractor's insurance and bond requirements

1. Builders' all-risk insurance with extended coverage including fire and lightning, vandalism and malicious mischief and sprinkler system leakage insurance.
2. Earthquake insurance.
3. Rental income insurance.
4. 100% labor and materials bond.
5. 100% performance of contract bond.

C. Project change orders and cost increases

1. Construction bid in hand for \$458,880 to complete the project.
2. Change orders must be paid for from authority contingency funds or by city as tenant's improvements.

III. POST-CONSTRUCTION BONDHOLDER PROTECTION

A. City required to budget rent payments for use and occupancy of buildings.

B. Bond Reserve Fund available, equaling maximum annual debt service, to be replenished from all available moneys after the deposits required by the Interest Fund and Retirement Fund.

C. Insurance after city accepts project

1. Rental interruption insurance.
 2. Extended coverage insurance, including, fire, lightning, vandalism, malicious mischief, and other hazards insurance.
 3. Earthquake insurance.
 4. Public liability and property damage insurance.
 5. Title insurance in full amount of issue.
-

* The contents of this table attempt, among other things, to summarize, but not to explain in detail, provisions made to minimize any likelihood of rental abatement and to provide for a substitute source to pay bond principal and interest. See the resolution, public facilities lease and other portions of this official statement for a more detailed exposition of the protections outlined in this table.

THE PROJECT

The project to be financed by the Palmdale Civic Authority from the proceeds of the currently offered issue includes land acquisition and construction of a municipal library building and all related facilities and improvements, including relocation costs, site preparation costs, books, furnishings, equipment, landscaping, off-street parking facilities, off-site improvements, professional services, administrative and overhead expenses, and contingencies. The authority will construct a 12,600 square foot partial two-story library building on the southeast corner of Palmdale Boulevard and Sierra Highway. Architectural plans specify a frame and stucco exterior with a partial second story supported by a structural steel space frame. Library site preparation is not included in the construction contract but will be completed under separate contracts.

Land to be purchased by the authority from bond proceeds and leased to the city is shown on the site map. Approximately one half of the project land purchases will be from private individuals while the other one half of the land to be purchased will be from the City of Palmdale. Estimated cost of the land needed for the project is approximately \$691,000.

Annual operation and maintenance of the library will be the responsibility of the City of Palmdale. It is estimated that the cost of salaries, supplies, maintenance and the replacement of books and periodicals will approximate \$90,000 annually.

Commencement of construction of the library will occur as soon after the delivery of the bonds as site preparation can be completed. The construction contract to be entered into by the authority with Eaton & Cates, Inc. and Chayne Construction, Inc. (as a joint venture) requires

completion of the project in 180 consecutive calendar days after notice to proceed. Delay of completion of the project beyond December 1, 1977, caused by non-performance of the contractor is subject to liquidated damages of \$650 a day. No time extension will be given to the contractor beyond December 1, 1977.

Eaton & Cates, Inc. and Chayne Construction, Inc. (as a joint venture), the lowest competitive bidder among three other bidders for the construction of the project, submitted a construction bid of \$458,880. Eaton & Cates, Inc., 142 East Avenue I, Lancaster, CA 93534, holds contractor's license number 59205. Chayne Construction, Inc., P.O. Box 2196, Lancaster, CA 93534, lists contractor's license number 312620. The authority has until March 12, 1977, to award the construction contract.

Performance Bonds

The contractors must maintain a 100% labor and materials bond and a 100% performance of contract bond. The contractors list Fidelity & Deposit Co. of Maryland, Suite 1020, One Wilshire Boulevard, Los Angeles, CA, as the bonding company for the performance bond.

Builders' All-Risk and Rental Income Insurance

The contractor shall maintain, until final acceptance of the work, builders' all-risk insurance with extended coverage endorsement, including fire and lightning insurance, vandalism and malicious mischief insurance, flood insurance, sprinkler system leakage insurance and earthquake insurance (but only if such insurance is available on the open market from reputable insurance companies) on all structures constituting any part of the work, in an amount equal to one hundred percent (100%) of the replacement cost of such structures, except that such earthquake insurance may be subject to a deductible clause of not to exceed ten percent (10%) of such replacement cost for any one loss, and may be subject to a co-insurance clause of not less than eighty percent (80%) requiring the insured to bear not more than twenty percent (20%) of any loss that may occur, and except that such other insurance may be subject to deductible clauses of not to exceed one thousand dollars (\$1,000.00) for any one loss. Said extended coverage endorsement shall, as near as practicable, cover loss or damage by explosion, wind storm, flood, landslide, aircraft, vehicle damage, smoke and such other hazards that are normally covered by such endorsement. Each such policy endorsement shall be in a form satisfactory to the trustee appointed by the Palmdale Civic Authority under the indenture securing the issuance of the bonds to finance the cost of construction of the work, and shall contain a clause making all losses payable to the trustee as its interest may appear. The contractor shall also maintain, until final acceptance of the work, rental income

insurance on the project in an amount not less than \$650.00 per day for a period of at least 18 months to insure against loss of rental income from delays in work caused by perils covered by the insurance required by this section. Each such policy of insurance shall be in a form satisfactory to the trustee under the indenture securing the bonds and shall contain a clause making all losses payable to the trustee as its interest may appear. If the contractor fails to execute or maintain insurance as designated above, the authority may insure its own interest and charge the cost thereof to the contractor. If the authority is damaged by failure of the contractor to maintain such insurance, it may recover any such damages from the contractor.

Use of Bond Proceeds

Table 5 lists the estimated costs of the project to be financed by the currently offered bonds. From bond proceeds the authority will establish a reserve fund equal to the maximum annual debt service as additional security for bondholders, will establish an interest fund in an amount equal to the interest payable on the bonds on December 1, 1977, and will pay all the financing costs related to the issue.

TABLE 5
SUMMARY OF PROPOSED APPLICATION OF BOND PROCEEDS

Library	
Construction contract	\$458,880
Site preparation	135,000
Parking and landscaping	85,000
Books, furnishings, and equipment	365,000
Total	\$1,043,880
Land Acquisition	
Estimated acquisition cost	\$691,390
Relocation costs	159,500
Acquisition cost fees	15,605
Total	\$ 866,495
Professional Services	
Architectural and project coordination	\$102,000
Library consultant	22,860
Total	\$ 124,860
Administration and Overhead Expenses	
(including trusteeship, printing, title insurance, legal counsel, other professional services and miscellaneous)	120,000
Contingency	115,665
Available for funded interest*	185,500
Bond reserve fund	218,600
Less: Investment of bond proceeds during construction	(25,000)
Total Project Cost and Bond Issue Requirement	\$2,650,000

* Based on 7% interest.

CITY ORGANIZATION AND FINANCIAL DATA

The credit of the City of Palmdale will be the primary security for the bonds to the extent of its obligation under the lease with the authority. Palmdale is a general law city and is governed by an elected city council, one of whose members is selected by the council to serve as mayor.

The city has adopted the council-manager form of government under which the city council appoints a city administrator who is responsible for supervising the day to day operations of the city and allied agencies and for carrying out policies set by the council. The city employees as such do not belong to any labor unions. Police protection is provided by the County of Los Angeles under contract. Fire protection is provided by the Los Angeles County Consolidated Fire Protection District.

Assessed Valuations

The city's assessed valuation is established by the Los Angeles County Assessor's office, except that the assessed valuation of utility property is established by the State Board of Equalization. According to the State Board of Equalization, the 1976/77 Los Angeles County assessed valuation averages approximately 27.5% of full value. The valuation of utility property is established at approximately 25% of full value. The foregoing percentages are based upon the State Board of Equalization data.

Table 6 shows a summary of the city assessed valuation since 1964/65. Table 7 shows a detailed summary of the city assessed valuation since 1972/73.

TABLE 6 CITY ASSESSED VALUATION*

Year	Assessed Valuation
1964/65	\$12,134,490
1965/66	12,415,910
1966/67	14,859,860
1967/68	21,389,760
1968/69	20,539,547
1969/70	24,753,335
1970/71	43,770,445
1971/72	60,566,275
1972/73	70,892,387
1973/74	84,637,575
1974/75	91,163,653
1975/76	83,355,509†
1976/77	74,169,621†

* Total assessed valuation for tax revenue purposes.

† During the late 1960's, speculation regarding the pending Palmdale International Airport had the effect of skyrocketing land values in the area. While a considerable amount of property was overvalued, the County Assessor's office had no choice but to accept the value being assigned by buyers of the properties. Subsequently, the hysteria relating to speculative buying calmed down whereupon the County Assessor's office has begun assessing property more realistically. Information from the assessor's office indicates that this reassessment downward has bottomed out. Of course, beginning in 1980, if the development of Palmdale International Airport goes ahead, the city may once again experience a sharp inflationary increase in land values in and around the airport site, though the degree of such an increase cannot be determined at this time.

Source: Auditor-Controller of the County of Los Angeles.

TABLE 7 DETAILED CITY ASSESSED VALUATION

	1972/73	1973/74	1974/75	1975/76	1976/77
Local secured	\$58,709,670	\$64,852,200	\$66,382,975	\$61,370,845	\$56,423,145
Utility	3,846,380	3,749,930	3,799,030	3,873,560	4,240,140
Unsecured	4,297,602	2,868,710	3,166,598	3,714,699	3,436,666
Business inventory exemptions	2,963,235	10,035,205	14,521,605	10,908,185	6,532,640
Homeowners exemptions	1,075,500	3,131,530	3,293,445	3,468,220	3,537,030
Total*	\$70,892,387	\$84,637,575	\$91,163,653	\$83,335,509‡	\$74,169,621‡
Aircraft†	\$18,516,100	\$16,231,629	\$17,080,766	\$ 6,748,099	\$17,100,032

* Total assessed valuation for revenue purposes.

† Taxed at \$1.50 per \$100 assessed valuation on the Lockheed commercial airplanes assessed by the County of Los Angeles.

‡ During the late 1960's, speculation regarding the pending Palmdale International Airport had the effect of skyrocketing land values in the area. While a considerable amount of property was overvalued, the County Assessor's office had no choice but to accept the value being assigned by buyers of the properties. Subsequently, the hysteria relating to speculative buying calmed down whereupon the County Assessor's office has begun assessing property more realistically. Information from the assessor's office indicates that this reassessment downward has bottomed out. Of course, beginning in 1980, if the development of Palmdale International Airport goes ahead, the city may once again experience a sharp inflationary increase in land values in and around the airport site, though the degree of such an increase cannot be determined at this time.

Source: Office of Los Angeles County Auditor-Controller.

Tax Rates

General law cities are empowered to levy and collect property taxes under provisions of the California Government, Education, and Public Resources Codes. General law cities are subject to a statutory limitation of \$1.00 per \$100 assessed valuation on the general ad valorem property tax rate; however, additional ad valorem taxes may be levied for certain specific purposes. The City of Palmdale has power and is entitled to levy, over and above its \$1.00 per \$100 assessed valuation maximum, a library tax for library construction, purchase of property, maintenance and operation. The statutory maximum tax rate for library purposes is 30¢ per \$100 assessed valuation. The tax revenue derived from the city library tax shall be deposited in a special library fund and may be applied only for library purposes.

There are no statutory tax rate limits for employee retirement costs, general obligation debt service, planning service, employee health and workmen's compensation insurance costs, maintenance of parks and boulevards, costs of park and recreation facilities, and costs of sewerage facilities. Limited tax rates in addition to the \$1.00 maximum are permitted for other specific purposes as follows: civil defense (\$0.05); flood control (\$0.20); museum maintenance (\$0.20); and veterans facilities (\$0.30).

Since its incorporation the City of Palmdale has never levied a property tax, although, as indicated above, it has the power to do so. As a matter of public policy the city council has financed all municipal services from current revenues, including sales taxes, local transportation taxes, bed taxes, franchise taxes, business licenses and permits, aircraft taxes, and cigarette taxes.

The payments required by the city under the public facilities lease are expected to be met from the authorized 30¢ per \$100 assessed valuation library ad valorem property tax levied on all property within the city.

However, in the event revenues from the 30¢ library property tax and other city general fund sources are not sufficient in any given year to meet the city's obligation to the authority under the lease, the city would be required

to levy a property tax in an amount sufficient to meet the total base rental and additional rental payments. Based on the city's present assessed valuation, a library property tax rate of less than 30¢ per \$100 would provide adequate revenues for this purpose.

Tax rates levied by overlapping public agencies vary in different code areas. The rates for a typical code area for 1976/77 are shown in Table 8.

TABLE 8
REPRESENTATIVE TAX RATES WITHIN THE CITY OF PALMDALE

<i>Taxing Jurisdiction</i>	<i>Tax Code 7006*</i>
Palmdale City Tax District No. 1 (City of Palmdale)	\$ —
Los Angeles County General	4.4576
County School Services	.0565
Handicapped Education	.2600
Palmdale School District	3.3575
Eastside Union School District	—
Antelope Valley Union High School	2.5250
Antelope Valley Joint Community College	.5991
Consolidated Fire Protection District	.7865
Special Road District No. 5	—
Los Angeles County Library†	.2594
Antelope Valley Soil Conservation District	.0093
County Water Works District No. 35	—
County Sanitation District No. 20	.5250
Antelope Valley East Kern Water Agency	1.4316
Lancaster Cemetery District	—
County Water Works District No. 34	.5190
Antelope Valley Mosquito Abatement	.0177
Antelope Valley Hospital District	—
1976/77 Total tax rate	\$14.8042
1975/76 total tax rate	\$13.5662
1974/75 total tax rate	\$12.6936
1973/74 total tax rate	\$11.7197

* The largest city tax code area with \$26,912,115 assessed valuation during 1976/77.

† Once the City of Palmdale levies a tax for library purposes to obtain sufficient revenue to pay debt service on the currently offered bonds, the Los Angeles County Library can not legally levy a tax as the County Library has done in the past. The 1975/76 Los Angeles County Library District library tax rate was \$.2792 per \$100 assessed valuation.

Source: Los Angeles County Tax Collector.

Base Rental

It is currently estimated that the base rent payments will approximate \$108,250 semiannually or \$216,500 annually. The City of Palmdale has the authority to levy a maximum ad valorem property tax of \$1.30 per \$100 assessed valuation (includes the \$1.00 general ad valorem tax and the 30¢ restricted library tax) on all property within the city for the purpose of covering the annual estimated base rent payment. The \$1.30 per \$100 assessed valuation ad valorem tax levy could generate tax revenues of about \$915,994 during 1976/77, or about 4.2 times the estimated \$216,500 annual rent payment (assumes 5% delinquency rates).

The city contemplates, as of the date of this official statement, that it will levy an ad valorem tax for library purposes of about 30¢ per \$100 assessed valuation during 1977/78. Such levy by the city will be counter-balanced by a Los Angeles County Library District tax rate decrease estimated at 26¢ per \$100 assessed valuation since the County of Los Angeles Library District is not permitted by law to levy a library tax upon residents of one of its political subdivisions who tax themselves for library purposes. The 1975/76 Los Angeles County Library District tax rate was \$0.2792 per \$100 assessed valuation.

Tax Collections

The city has no record of tax delinquency since it has never levied a property tax. As an indication of the collection record of other taxing agencies within the city, Table 9 shows the record of Palmdale School District.

Revenues and Expenditures

As shown in Table 10, sales taxes constitute the largest source of revenue for municipal operation in the City of Palmdale while aircraft taxes and the local transportation tax are also major revenue producers. Licenses and permits, fees, bed taxes, and cigarette taxes are other revenue sources.

TABLE 9
PALMDALE SCHOOL DISTRICT
TAX LEVIES AND DELINQUENCIES

<i>Fiscal Year</i>	<i>Total Secured Tax Levy</i>	<i>Amount Delinquent June 30</i>	<i>Percent Delinquent June 30</i>
1966/67	\$ 710,574	\$ 29,835	4.20%
1967/68	889,021	51,329	5.77
1968/69	620,850	28,329	4.56
1969/70	769,063	42,438	5.52
1970/71	943,737	52,934	5.61
1971/72	1,384,498	94,532	6.83
1972/73	1,534,314	90,889	5.92
1973/74	1,559,774	81,566	5.23
1974/75	1,691,061	95,848	5.67
1975/76	1,976,901	109,536	5.54

Source: County of Los Angeles.

TABLE 10
CITY OF PALMDALE
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES

	1971/72	1972/73	1973/74	1974/75	1975/76	Budget 1976/77
REVENUES						
Beginning fund balance	\$ 86,812	\$ 77,608	\$ 183,163	\$ 321,548	\$ 209,207	\$ 88,000
Adjustments	(1,251)	(49,748)	(6,504)	—	—	121
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Sales and use taxes	256,224	353,779	367,245	373,453	421,099	440,000
Aircraft tax*	125,418	—	243,449	256,211	101,211	225,000
Bed tax	5,543	14,301	27,642	45,417	37,355	40,000
Cigarette tax	36,432	39,057	42,386	41,021	44,398	44,000
Local transportation tax†	—	—	—	88,805	59,572	60,000
Transfer tax	4,964	6,070	6,675	4,179	4,456	4,200
Licenses, fees, franchises and permits	192,329	220,880	293,495	258,535	240,778	238,840
Rent	—	—	—	9,609	7,379	—
Interest	5,048	15,975	27,439	41,066	15,182	10,000
C. E. T. A. program	—	—	—	26,253	64,206	32,000
Public Employment Program	19,671	12,365	13,526	2,771	—	—
Recoverable expenditures	—	—	—	2,217	3,504	4,000
Construction project contributions	44,438	211,692	—	—	—	—
Community Development Funds	—	—	—	—	—	29,000
Proposition No. 1 (State Recreation Bonds)	—	—	—	—	—	30,000
Transfers from other funds‡	131,271	125,177	92,941	233,098	316,358	477,123
Other	9,897	275,922	56,936	8,929	31,040	8,500
Total revenue	\$916,796	\$1,303,078	\$1,348,393	\$1,713,112	\$1,555,745	\$1,730,784
EXPENDITURES						
General government	\$ 80,500	\$ 95,513	\$ 104,480	\$ 129,761	\$ 146,773	\$ 161,730
Non-departmental	85,149	87,993	81,597	212,990	208,305	124,950
Economic development	10,345	33,478	30,827	23,550	42,083	60,783
C. E. T. A. program	—	—	—	22,383	55,537	38,600
Public safety	203,450	227,271	217,481	252,062	371,217	431,900
Building and safety	27,301	22,061	48,553	24,375	22,589	—
Planning commission	8,710	9,948	5,021	5,422	10,770	15,200
Public health	2,914	1,837	3,749	4,267	5,760	5,000
Public Works Administration	20,982	50,027	71,268	59,642	36,986	50,000
Street maintenance	76,423	140,796	107,497	139,454	167,912	109,000
Street construction	164,984	27,460	51,857	170,588	77,643	112,000
Parks and recreation	117,695	158,954	173,762	260,623	287,716	120,150
Roadside trees	10,304	10,233	9,464	5,543	9,807	11,150
Capital improvements	3,216	244,333	106,528	184,762	15,156	35,000
Public employment program	27,215	10,011	14,761	8,483	9,370	33,000
Total expenditures	\$839,188	\$1,119,915	\$1,026,845	\$1,503,905	\$1,467,624	\$1,308,463
Ending general fund balance	\$ 77,608	\$ 183,163	\$ 321,548	\$ 209,207	\$ 88,121	\$ 422,321

* The city receives \$1.50 per \$100 assessed valuation on the Lockheed commercial airplanes assessed by the County of Los Angeles.

† Vehicle license tax.

‡ Historically, all moneys in the city's county aid to cities fund, revenue sharing fund and assessment construction fund have been transferred to the general fund to cover the qualifying expenditures made by the general fund. This method of reimbursing is used rather than charging directly to the funds in order to allow all expenditures for a given purpose to be reflected in the same place in the records and statements.

Source: From the City of Palmdale annual audited financial statements prepared by C. Raymond Wood, C.P.A., Sherman Oaks, California for 1971/72 through 1973/74 and by Alexander Grant & Company, certified public accountants, Van Nuys, California, and from the City of Palmdale approved budget.

TABLE 11
CITY OF PALMDALE
BALANCE SHEET – ALL FUNDS, JUNE 30, 1976

	General Fund	County Aid to Cities Fund	Revenue Sharing Fund	Assessment Construction Fund	Assessment Bond and Interest Fund*	Total All Funds (Memorandum only)
ASSETS						
Cash (see note B)	\$225,358	\$99,419	\$ —	\$4,427	\$11,037	\$340,241
Due from other governmental agencies	9,602	—	29,126	—	—	38,728
Total Assets	\$234,960	\$99,419	\$29,126	\$4,427	\$11,037	\$378,969
LIABILITIES AND FUND BALANCES						
Vouchers payable	\$142,943	\$ —	\$ —	\$ —	\$ —	\$142,943
Payroll deductions payable	3,696	—	—	—	—	3,696
Deposits	200	—	—	—	—	200
Due to bondholders	—	—	—	—	11,037	11,037
Fund balance	88,121	99,419	29,126	4,427	—	221,093
Total Liabilities and Fund Balances	\$234,960	\$99,419	\$29,126	\$4,427	\$11,037	\$378,969

* Assessment bonds are paid from assessments on property improved.

Source: From the City of Palmdale annual audited financial statements prepared by Alexander Grant & Company, Van Nuys, California.

NOTES TO FINANCIAL STATEMENTS – 1975/76

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The modified accrual basis of accounting is followed wherein expenditures are recorded at the time liabilities are incurred. Revenues are recorded when received, except for revenues susceptible to accrual and material revenues that are not received at the normal time of receipt.

2. General Fixed Assets

General fixed assets purchased are recorded as expenditures in each fund at the time of purchase. Only control accounts are kept on general fixed assets. Detailed records are not maintained. No depreciation has been recorded on fixed assets.

NOTE B – CASH

Cash at June 30, 1976 consists of the following:

Demand deposits	\$ (18,759)
Time deposits	359,000
	\$340,241

Cash is distributed as follows:

General Fund	\$225,358
County Aid to Cities Fund	99,419
Assessment Construction Fund	4,427
Assessment Bond and Interest	11,037
	\$340,241

Cash in the County Aid to Cities Fund has been advanced from Los Angeles County pending approval of a street project.

NOTE C – PENSION PLAN

The City is a participant in the Public Employees Retirement System of the State of California covering all of its permanent employees. The total pension expense for the current year was \$19,316, which includes amortization of prior service costs over a period of years.

Pension costs are funded by monthly contributions to the Public Employees Retirement System. The excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund and balance sheet accruals, less pension prepayments and deferred charges is not available as of June 30, 1976.

Fund Balances

Table 12 summarizes revenues and expenses of all funds other than the general fund, and shows year end fund balances of all funds. Historically, all moneys in the city's county aid to cities fund, revenue sharing fund and assessment construction fund have been transferred to the general fund to cover the qualifying expenditures made by the general fund. This method of reimbursing is used rather than charging directly to the funds in order to allow all expenditures for a given purpose to be reflected in the same place in the records and statements.

TABLE 12
SUMMARY STATEMENT OF OTHER CITY FUNDS
AND FUND BALANCES

	1971/72	1972/73	1973/74	1974/75	1975/76
REVENUE					
State gas tax fund	\$ 69,211	\$ 71,816	\$ 51,786	\$ 58,093	\$102,742
County aid to cities fund	—	77,488	30,755	31,448	23,000
Traffic safety fund	11,930	10,092	18,824	22,209	27,666
Revenue sharing fund	—	50,514	60,917	80,344	121,649
Assessment construction fund	—	9,592	—	—	—
Total Revenue	\$ 81,141	\$219,502	\$162,282	\$192,094	\$275,057
EXPENDITURES					
Transfers to general fund	\$131,271	\$125,177	\$ 92,941	\$233,098	\$316,358
Assessment and construction fund	12,904	538	—	—	—
Total Expenditures	\$144,175	\$125,715	\$ 92,941	\$233,098	\$316,358
FUND BALANCES					
FUND BALANCE—ALL FUNDS					
General fund	\$ 77,608	\$183,163	\$321,548	\$209,207	\$ 88,121
State gas tax fund	—	521	—	—	—
County aid fund	63,069	86,209	99,419	99,419	99,419
Traffic safety fund	—	—	—	—	—
Assessment construction fund	(4627)	4,427	4,456	4,427	4,427
Revenue sharing fund	—	50,514	111,431	70,427	29,126
Total Funds (memo only)	\$136,050	\$324,834	\$536,854	\$383,480	\$221,093

Source: From the City of Palmdale annual audited financial statement.

Debt Statement

The city has no general obligation bond debt. The estimated overlapping debt of the city is shown in Table 13.

TABLE 13
CITY ESTIMATED OVERLAPPING BONDED DEBT*

1976 estimated population	10,750
1976/77 assessed valuation	\$74,169,621†
Estimated market value	\$271,249,582‡

Entity	Percent Applicable§	Debt Applicable December 21, 1976
Los Angeles County and Authorities	0.330%	\$ 420,911¶
Los Angeles County Flood Control District	0.008	38,521
Antelope Valley-East Kern Water Agency	16.676	7,003,920
Antelope Valley Joint Community College	20.032	240,384
Antelope Valley Joint Union High School District	20.032	1,468,345
Palmdale School District	68.264	1,111,337
Eastside Union School District	12.294	32,702
Other school districts	Various	58,328
Antelope Valley Hospital District	20.792	1,996,032
Palmdale Irrigation District	36.019	695,426
Los Angeles County Sanitation Districts No. 14 and No. 20	0.485-65.424	559,728
Los Angeles County Water Works Districts No. 33 and No. 34	2.189-50.634	150,509
City of Palmdale Civic Authority (to be sold December 21, 1976)	100.	2,650,000
OVERLAPPING BONDED DEBT/		\$16,426,143

	Ratio to		
	Assessed Valuation	Estimated Market Value	Per Capita
Assessed valuation	—	—	\$6,899
Overlapping debt	22.14%	6.06%	1,528

* Compiled by California Municipal Statistics, Inc.

† Before business inventory and homeowners' exemption.

‡ The State Board of Equalization reports that the 1976/77 Los Angeles County valuation averages 27.5% of market value, with public utilities assessed at 25% of market value.

§ Based on 1975/76 assessed valuations.

¶ Excluding share of \$238,113,959 Los Angeles County lease-purchase obligations (\$785,776).

/ Overlapping authorized and unsold debt totals \$6,763,568.



REGIONAL CHARACTERISTICS AND DEMOGRAPHICS

The City of Palmdale, located at the western edge of the Mojave Desert in the Antelope Valley, covers an area of approximately 55 square miles in northern Los Angeles County. The Antelope Valley is a triangular plain bounded on the south by the San Gabriel Mountains and on the north by the Tehachapi Mountains. Palmdale is approximately 30 miles from the northernmost limits of the City of Los Angeles and approximately 65 miles from the City of Los Angeles Civic Center.

City Incorporation

As a result of significant growth in the Antelope Valley during the early 1950's, a comprehensive land use plan was approved for the northern portion of Los Angeles County in 1961 by the Los Angeles County Planning Commission. This plan incorporated a long range community plan for the City of Palmdale. Primarily as a response to the county plan and to control zoning practices, the residents of Palmdale voted to incorporate in 1962. On August 24, 1962, the City of Palmdale was incorporated as the first city in the Antelope Valley. At that time the city consisted of 2.1 square miles. An aggressive annexation program, principally encircling the boundaries of the proposed Palmdale International Airport, has increased the city's size to approximately 55 square miles, making it the second largest city in area in Los Angeles County.

Population

Palmdale has experienced cyclical variations of growth. The community was settled in 1886, when fertile soil and an abundant water supply encouraged agrarian development. During the Second World War, the expansion of Edwards Air Force Base, a major aircraft testing center, located approximately 30 miles north of the city, marked a dramatic change in the Antelope Valley economy which shifted from predominantly agriculture to aviation and ultimately to an aerospace orientation. The population of the valley increased by over 100% between 1940 and 1950. The construction of Air Force Plant 42 in Palmdale in 1952 and the opening a year later of a major plant of Lockheed continued to stimulate population growth. By 1960 Antelope Valley population had increased to 68,000. By the mid-1960's commercial airline growth created new demands for aircraft, once again stimulating growth in the area.

The proximity of the Palmdale area to metropolitan Los Angeles has also contributed to development and urban growth. Population in the northern portion of Los Angeles County is now increasing while other portions of Los Angeles County have registered population declines. Table 14 shows population figures for the City of Palmdale and Los Angeles County for the past five years.

TABLE 14
POPULATION

	4/1/70	4/1/72	1/1/74	1/1/75	1/1/76
City of Palmdale	8,511	10,350	10,800	10,850	10,750
County of Los Angeles	7,042,900	7,015,000	6,934,300	6,940,000	6,963,600

Source: State of California, Department of Finance and U.S. Census.

Commercial Activity, Industry and Employment

The availability of adequate land in the Palmdale area and the attractive climate and proximity to major markets have attracted an increasing number of industrial firms. Manufacturing historically accounts for a major portion of total employment in the Antelope Valley. During 1975, 172 retail sales stores and 382 total outlets provided employment, goods, and services to the community. In addition to the aerospace industry, Table 15 shows diversified industrial and agricultural employers' contributions to the economy of the Palmdale-Lancaster area.

The two major centers of aircraft and aerospace employment and manufacturing in the Palmdale area are Air Force Plant 42 and Edwards Air Force Base. Since World War II, defense related industry at Air Force Plant 42 has been a major generator of employment in Palmdale. The impact of Plant 42 on the local economy has been decreasing, however, as the Palmdale-Lancaster economic base has diversified during the last decade.

Table 16 shows the Palmdale-Lancaster-Antelope Valley employment base.

Federal, state and local government, excluding the military, is the second largest employment group. Major government facilities include Edwards Air Force Base, the regional offices of Los Angeles County in Lancaster, and

the Federal Aviation Administration Air Traffic Control Center located at the edge of Plant 42. The last named is responsible for air traffic control over the southwestern portion of the United States (Southern California and parts of Nevada, Utah and Arizona), and employs approximately 580 people.

TABLE 15
INDUSTRIAL AND AGRICULTURAL EMPLOYERS

<i>Firm</i>	<i>Number of Employees</i>
U.S. Borax and Chemical Corporation	900-950
California Portland Cement	225
General Telephone Company of California	208
Ryckebosch Enterprises	180
Southern California Edison Company	160
Antelope Valley Press	113
High Desert Holiday Inn	80
B R and B R Sportswear	62
Revere Extruders, Inc.	57
Great Lakes Arbor Company	53
Daily Ledger Gazette	40
Southern California Gas Co.	40
Ashland Chemical Corporation	40
Asphalt Construction Company	35
Santa Fe Engineers	25

Source: Telephone survey conducted during November 1976.

TABLE 16
PALMDALE-LANCASTER
EMPLOYMENT BY INDUSTRY 1960 - 1975

<i>Industry</i>	<i>1960*</i>	<i>1965*</i>	<i>1968*</i>	<i>1969†</i>	<i>1970†</i>	<i>1973‡</i>	<i>1975‡</i>
Agriculture, forestry and fisheries	350	400	500	1,600	1,700	1,700	1,700
Mining	—	—	—	—	—	347	1,500
Contract construction	850	800	900	3,000	2,900	3,374	2,100
Manufacturing	3,100	2,300	2,500	2,800	5,000	12,196	10,200
Transportation, communications and utilities	550	800	900	800	900	1,335	1,300
Trade, wholesale and retail	3,200	3,300	3,600	3,700	4,000	6,479	6,480
Finance, insurance and real estate	300	400	400	900	1,000	1,096	3,900
Services	1,300	2,000	3,500	5,000	5,300	6,345	6,350
Government (non-military)	2,250	3,500	3,700	5,000	5,500	10,470	10,470
Total	11,900	13,500	16,000	22,800	26,300	43,342	44,000

* Includes Lancaster, Palmdale and Quartz Hill.

† Includes all of the North Los Angeles portion of Antelope Valley.

‡ Includes the larger area, Antelope Valley and Indian Wells Valley.

Sources: Department of Human Resources, Naval Weapons Center, Antelope Valley Board of Trade and Community and Department of Employment, State of California.

Palmdale International Airport

The Department of Airports of the City of Los Angeles' proposed Palmdale International Airport, if completed, is expected to have a significant impact on the Palmdale area economy since the proposed airport project entails construction of an entirely new major facility designated to become a principal west coast airport.

Under a Joint Use Agreement in cooperation with the City of Palmdale and the U. S. Air Force, the Los Angeles Department of Airports has, at its expense, constructed a terminal on the existing Palmdale Airport site from which Golden West Airlines operates daily flights to Los Angeles International Airport. The department is in the process of acquiring 17,700 acres in Palmdale for the development of the Palmdale International Airport. Over 16,000 acres have been purchased to date at a cost of over \$81 million. The Los Angeles Department of Airports projects an estimated total capital expenditure through 1980 of about \$129 million if the program proceeds.

Completion of the currently planned Palmdale International Airport is expected within fifteen years, with expanded airport operations beginning in the mid-1980's if all currently existing environmental, economic, and legal obstacles are overcome by the Los Angeles Department of Airports.

Air Force Plant 42

Air Force Plant 42 has grown from the 237 acres leased by Lockheed which constituted the initial facility during World War II to its present size of 5,832 acres including easements. The basic purpose of Air Force Plant 42, as presented in the facility's Master Plan Report, is to provide and maintain facilities for:

- 1. Mating and final assembly of jet powered, high performance type aircraft.
- 2. Production engineering and flight-test programs.
- 3. Air Force acceptance of flight-test performance of jet aircraft manu-

factured by Department of Defense contractors assigned to U.S. Air Force Plant 42.

Four of the five major industrial sites located within the boundaries of Plant 42 are devoted exclusively to the final assembly and production flight-testing of jet aircraft. The other site consists of storage facilities only. The primary Department of Defense contractors and the programs they are involved in at Air Force Plant 42 are shown in Table 17.

Table 18 shows employment data for Plant 42 and Edwards Air Force Base.

Economic impact of military personnel at Plant 42 is not significant as military personnel serve only to oversee activities of government contractors and base operations; however, Plant 42 civilian employees comprise as much as ten percent of the total labor force of the Palmdale-Lancaster area. Likewise, the annual payroll at Plant 42 is estimated at \$46,200,000 and represents over ten percent of the total yearly payroll figure estimates for the Palmdale-Lancaster region.

TABLE 17
PLANT 42 CONTRACTORS

Company	Program
McDonnell-Douglas	A-4 Skyhawk Aircraft
Lockheed Corporation	F-104 Aircraft (storage), Sr-71 Aircraft
Rockwell International	B-1 Intercontinental Strategic Bomber Aircraft
Rockwell Space Division/NASA	Space Shuttle Vehicle
Northrop	F-5 Freedom Fighter Aircraft

TABLE 18
MAJOR EMPLOYERS AT AIR FORCE PLANT 42 AND
EDWARDS AIR FORCE BASE

AIR FORCE PLANT 42	
Rockwell International	
Space Division	546
B-1 Division	1,400
McDonnell-Douglas	350
Northrop	750
ITT, Technical Services, Inc.	140
EDWARDS AIR FORCE BASE	
NASA	587
General Electric	200
USAF Flight-Test Center	2,000
USAF Rocket Propulsion Laboratory	65
Northrop	170
Military	4,000

Source: Telephone survey of individual employers listed above conducted in November, 1976.



A portion of the Palmdale 5,832-acre United States Air Force Plant 42 where Rockwell International, McDonnell-Douglas, Northrop, and ITT Technical Services Inc. provide employment for approximately 3,150.

Although much of the land in the vicinity of Plant 42 is still in agricultural use, urban industrial development has occurred in the Palmdale area. The City of Palmdale and the County of Los Angeles have zoned approximately 16,000 acres surrounding Plant 42 to accommodate future industrial development and to provide a buffer protecting outlying residential areas. The City of Palmdale General Plan provides for a similar airport buffer surrounding the proposed Palmdale International Airport.

Rockwell International's B-1 Division currently employs 1,400. About a year ago this figure was up to approximately 2,200. At present it is not known whether the \$24 billion military program for the production of the B-1 bomber will proceed as formerly expected. A limited work agreement for the production of three B-1 bombers has been announced. In the event the B-1 program is terminated, it is reported that work in progress would require approximately a year and a half to complete. Although the United States House of Representatives and Senate have not to date voted to terminate the B-1 program, it is possible that a change in government policy could take place during 1977. In the event the B-1 program is approved for full production, it is estimated that several thousand additional jobs will be created at Plant 42.

As of September 23, 1976, the Rockwell Space Division reported 546 employees and indicated that no major variations are projected in employment figures.

McDonnell-Douglas currently employs 350 people and anticipates a reduction to about 285 by mid-1977 due to completion of present contracts. Northrop lists 170 employees at the flight-test center at Edwards Air Force Base and 750 permanent employees in Palmdale; ITT Technical Services, Inc. employs 140.

Edwards Air Force Base

The Edwards Air Force Base USAF Flight-Test Center has approximately 2,000 civil service employees and approximately 4,000 military personnel. Employment totals for contractors or subcontractors doing work at the Base are not included in Base employment figures. Employment at Edwards Air Force Base has been stable.

NASA, as of October 31, 1976, reported an Edwards Air Force Base total employment of 587. This figure has risen a little because of NASA's support of the space shuttle program; however, it has been at approximately the same level for about three years.

General Electric reports a relatively stable total of 200 employees at Edwards, in addition to lender personnel. USAF Rocket Propulsion Laboratories has two contractors at Edwards employing around 65 people.

Lockheed Aircraft Company

Lockheed, which manufactures the L-1011 Tri-Star at Palmdale on private property adjacent to Plant 42, makes no projections at this time as to the continuation of its present employment figure. The 1,400 Lockheed employment total has remained at this level recently, although the Antelope Valley Board of Trade reports that during 1974 Lockheed employment was up to 4,300. The Lockheed L-1011 Tri-Star Palmdale plant covers 533 acres immediately next to Plant 42 and has been valued at over \$42.8 million.

Commercial

Commercial sites in Palmdale include three shopping centers. The recently completed Ernest W. Hahn Shopping Center contains about ten establishments, the Fazio Shopping Center houses over 25 businesses, and the Palm Knolls Shopping Center contains approximately 14 businesses. Security Pacific National Bank, Bank of America, United California Bank, American National Bank, American Savings & Loan Association, San Fernando Valley Federal Savings & Loan Association, Household Finance, Pacific Finance, and Beneficial Finance have branches in Palmdale.

The Sixth Street Industrial Center contains approximately a dozen small commercial and industrial establishments.

Table 19 shows taxable transactions in the City of Palmdale since 1971.

TABLE 19
CITY OF PALMDALE
TAXABLE TRANSACTIONS AND NUMBER OF
SALES TAX PERMITS

	<i>Retail Sales</i>	<i>Total Outlets</i>
1971		
Value	\$ 5,767,000	\$23,431,000
Number	173	339
1972		
Value	\$23,250,000	\$30,875,000
Number	180	360
1973		
Value	\$25,990,000	\$33,815,000
Number	176	371
1974		
Value	\$26,530,000	\$34,019,000
Number	171	367
1975		
Value	\$29,207,000	\$35,680,000
Number	172	382

Source: State Board of Equalization, annual summaries of "Trade Outlets and Taxable Sales in California".

TABLE 20
CITY BUILDING PERMIT VALUATIONS

<i>Year</i>	<i>Total Permits</i>	<i>Total Valuations</i>	<i>Single Family</i>	<i>Duplexes</i>	<i>Multiples</i>	<i>Total Dwelling Units</i>	<i>Valuation of Residential Units</i>
1966	191	\$ 1,318,753	41	1/2	—	43	\$ 815,725
1967	125	796,444	2	—	—	2	40,900
1968	220	23,010,785	21	—	1/6	27	372,000
1969	620	13,096,762	175	2/4	7/40	219	3,197,750
1970	429	6,252,424	108	—	8/80	188	2,046,300
1971	351	5,120,640	33	—	4/64	97	1,271,700
1972	458	7,806,000	55	—	31/381	436	4,848,450
1973	407	6,875,010	79	3/6	43/459	544	6,018,830
1974	218	3,342,420	2	3/6	5/19	27	678,000
1975	196	1,433,850	3	—	—	3	139,000
1976	180	1,289,380	6	—	—	6	260,240

Source: County of Los Angeles, Department of County Engineer Building and Safety Division.

Unemployment

The State Employment Development Department's seasonally adjusted unemployment rate for Los Angeles County as of October 1, 1976 was reported at 9.0%. Accurate unemployment rate data for the City of Palmdale or Northern Los Angeles County are not available.

Housing

A housing survey conducted within the City of Palmdale during 1975 reported 2,485 single-family units, 838 multiple units, and 335 mobile homes. Among the 2,485 single-family units, 2,404 or 96.7% were listed as being in standard condition, while 45 were judged to be in need of rehabilitation and 36 were not deemed to be rehabilitable. The survey also showed that of the 838 multiple units in the city, 27 units needed rehabilitation and eight were not considered to be rehabilitable.

Table 20 shows a history of City of Palmdale building permits. New housing starts in the City of Palmdale reflect variations in employment patterns. In the City of Palmdale only two residential permits were issued during 1967 while, in 1970, 219 were issued. During 1973, 544 were issued, while two years later, in 1975, three were issued.

Evidence of speculative activity resulting from the Los Angeles Department of Airports' 1968 announcement of its intention to build a major international airport in Palmdale is present in data indicating that approximately 10,500 lots were sold on unimproved acreage during 1971 of which less than 2,000 lots were being sold with intent of immediate development.

Community Services

The city contracts with the County of Los Angeles for law enforcement services. Fire protection is provided by two Los Angeles County Consolidated Fire District stations located in Palmdale. The U.S. Forest Service, ITT Technical Services, and Los Angeles County fire stations in the surrounding unincorporated area provide additional fire fighting protection to the area. County fire facilities also provide paramedic rescue services.

Palmdale contracts with the Los Angeles County Sheriff's Department for full traffic and general law services. Additional law enforcement services are available to the city from the California Highway Patrol and Los Angeles County Sheriff's Department serving the surrounding unincorporated areas. The Antelope Valley sheriff's station and a California Highway Patrol office are maintained in Lancaster. At present, 116 personnel work out of the sheriff's Antelope Valley Station while Highway Patrol

offices in the area are manned by 44 personnel.

Four hospitals serve the Antelope Valley: Palmdale General Hospital with 113 beds; Antelope Valley Hospital Medical Center with 184 beds; Lancaster Community Hospital with 99 beds; and Mira Loma Hospital (a Los Angeles County Hospital), with 112 beds. Several County Rehabilitation Centers are also maintained in the area while part-time local clinics are open on a rotating schedule.

The city is served by eight elementary schools, two junior high schools, three high schools, and an additional school for specialized instruction (continuation and adult). A community college is within ten miles of the city center. The residents of Palmdale have access to the many institutions of higher education in the greater Los Angeles area.

LARGE TAXPAYERS OF THE CITY OF PALMDALE

<i>Taxpayer</i>	<i>1975/76 Assessed Value</i>	<i>1975/76 Market Value</i>
Lockheed Properties	\$10,700,025	\$42,800,100
A. C. Warnack — Country Club Investment	662,600	2,650,400
Mullins and Hahn	638,375	2,553,500
Philip Ordin — Palmdale Development	551,170	2,204,680
Rancho Vista	541,575	2,166,300
Gilliland, Frank, et al	369,875	1,479,500
Coy A. Monroe	282,600	1,130,400
Vagabond Realty Shares	258,500	1,034,000
W. J. Hunt, et al	245,955	983,820
Sidney Welch	218,500	874,000
Beneficial Standard Life Insurance	216,000	864,000
Monroe M. Tapper and Associates	170,175	680,700
Palmdale Park	166,750	667,000
William Weinberg	157,750	631,000
John Bonino	134,525	538,100
Palmdale General Hospital	129,000	516,000
Total	\$15,443,375	\$61,773,500

Source: City of Palmdale

Water Supply and Distribution

The Palmdale Water District is the principal supplier of water in the Palmdale area. While presently the major source of water is groundwater derived from wells, in the future increasing reliance will be placed on surface water, the principal source of which will be the California Aqueduct. Palmdale Water District has contracted with the State of California for up to 17,300 acre-feet per year of supplemental water from the aqueduct. Palmdale Water District serves the downtown and south and east portions of the city. Approximately 90% of the dwelling units in Palmdale are currently served by a water system with the remainder of the homes served by private wells.

It is projected that 20,00 acre-feet of water per year will be required to serve the anticipated 70,000-plus population by 1995. Since Palmdale Water District has rights to 17,300 acre-feet per year from the state in addition to surface and groundwater sources, water supply is projected to be adequate.

Flood Control

The Los Angeles County Flood Control District (LACFCD) and the County Engineer's Department are responsible for flood control in the Palmdale area. The County Engineer's Department sets requirements for local drainage. Most of the City of Palmdale is not in the Flood Control District.

The Palmdale area does not have a history of economically disastrous flooding. Flood inundation maps prepared by the State Office of Emergency Services indicate that flood waters, in the event of a major seismic event or flooding, would not envelop the City of Palmdale.

Palmdale Reservoir, located in the San Andreas rift zone, was reconstructed in 1961 to withstand vertical and horizontal earth movements of up to 20 feet. Land below the dam has been set aside as flood easement wherein building is prohibited. The project site is located well beyond the boundaries of this area.

Utilities

Telephone service is provided by Pacific Telephone Company. Electricity is provided by Southern California Edison, and the city is served by Southern California Gas Company.

Waste Disposal

The collection, treatment and disposal of non-solid wastes is under the jurisdiction of several sanitation districts in north Los Angeles County. Sanitation District No. 20, serving the Palmdale area, maintains a sewage treatment plant equipped for primary and secondary treatment with a capacity of 1.3 million gallons per day. Sanitation District No. 14, serving the Lancaster area, maintains a plant equipped for primary, secondary and tertiary treatment with a capacity of 3.8 mgd. District No. 20 serves approximately 13,000 people, while District No. 14 serves 38,000.

Seismic Elements

The Palmdale area, along with the entire State of California, shares a history of seismic activity. Three major faults pass through the north Los Angeles County area. One, the San Andreas, along which are located many California towns and cities, including most San Francisco Bay peninsula cities, the City of San Francisco, and Palmdale, is considered to be an active fault in that it has exhibited earthquake activity and/or surface rupture within the last 11,000 years.

The "Palmdale Bulge", a 2500-square mile, approximately 10-inch swelling in the western part of the Antelope Valley has received recent news media attention. According to a U. S. Geological Survey report, the

"Palmdale Budge" may represent either a permanent deformation of the earth's crust or a temporary feature resulting from slippage along a fault and the buildup of strain. It is not presently possible to determine when or if an earthquake might occur due to the "Palmdale Bulge". The City of Palmdale is located in the general vicinity of the "Palmdale Bulge".

The precise economic effects of an earthquake, if an earthquake should occur during the life of the bonds, cannot be currently predicted. Although the last major movement of the San Andreas Fault near Palmdale is reported to have occurred in 1857, the Resolution of the Palmdale Civic Authority requires the authority to maintain earthquake insurance against loss or damage if said insurance is available from reputable insurers on the open market.

Climate

Palmdale has a temperate climate. Rainfall in the area averages 8.7 inches per year. Elevations in the populated portions of the city generally range from 2,470 feet to 2,600 feet. Air quality in northern Los Angeles County is significantly better than that of the Central Los Angeles Basin.

Transportation

The Antelope Valley is served by a series of interstate and state highways. Primary access from the Los Angeles Basin is via State Highway Route 14 (the Antelope Valley Freeway), a four and six-lane freeway running from the northeastern corner of the San Fernando Valley through Palmdale and Lancaster. At its southern terminus, this route joins Interstate 5, the Golden State Freeway, which leads into the central Los Angeles area.

The Antelope Valley Freeway traverses the San Gabriel Mountains through the Newhall area via Soledad Canyon. State Highway 58, going east and connecting with the Antelope Valley Freeway at Mojave, provides access from the southern half of the San Joaquin Valley-Kern County area and connects with Barstow and points farther east. Access from the east and west is via State Highway 138, from the Golden State Freeway at Gorman, which passes through Palmdale and then leads southeast along the base of the San Gabriel Mountains, eventually joining Interstate 15, the main north-south route between Las Vegas, Barstow and the San Bernardino-Riverside area. All of the interstate highways are either four, six or eight-lane divided highways. The state highways are mostly two or four-lane undivided highways.

Palmdale Airport has a lease arrangement for use of property, runways, and taxiways of Air Force Plant 42 for commercial air transport. Currently, regular service is provided between Palmdale Airport and Los Angeles International Airport by Golden West Airlines. The Hollywood-Burbank Airport is within an hour's driving time of Palmdale.

The Department of Airports of the City of Los Angeles has acquired over 16,000 acres of property in the

Palmdale area adjacent to the existing airport at Air Force Plant 42 for the proposed development of Palmdale International Airport which is intended to meet future air travel demand from the Los Angeles Basin. The proposed airport site is approximately 65 miles north of the City of Los Angeles Civic Center by existing freeways. A Draft Environmental Impact Report has been completed in accordance with the requirements of the California Environmental Quality Agency and the National Environmental Protection Agency. If the Palmdale International Airport is constructed, the 17,700-acre site is projected to accommodate approximately 112,000 passengers by 1995, and will have an ultimate capacity of approximately 100,000,000 passengers annually.

The Southern Pacific and Atchison, Topeka and Santa Fe Railroads serve Antelope Valley. The Southern Pacific lines connect Palmdale with the San Fernando Valley and downtown Los Angeles.

The Port of Oxnard and the ports of Los Angeles and Long Beach are approximately 90 miles south of Palmdale industrial sites.

The area is served by Greyhound Bus. Antelope Valley Bus Lines offers charter and commuter services from Palmdale to Edwards Air Force Base and Los Angeles International Airport.

Recreation

The northern parts of Los Angeles County and the Antelope Valley contain numerous recreational and scenic areas. The adjacent San Gabriel and Tehachapi Mountains offer several scenic drives, including Juniper Hills Drive south of the Littlerock community and Godde Pass south of the Quartz Hill community. Other attractions include: Castaic Reservoir, Elizabeth Lake Canyon and Castaic Canyon. A Recreational Development Plan prepared by the state in 1970 estimates two million vistor-days by 1980 for the Castaic-Elizabeth Lake area. Pyramid Lake provides 18 miles of shoreline and about 45 acres of onshore lands for recreational facilities. Big Pines, managed by the Forest Service, includes 10,000 timbered acres in the northwestern section of the Angeles National Forest and contains comprehensive recreational and commercial facilities. Three large public parks are maintained in the Antelope Valley area: Saddleback Butte State Park, Devil's Punch Bowl County Park, and the Littlerock Recreation Area. Several smaller parks and undeveloped areas are assigned as recreational development areas and areas preserved as wildlife/wildflower sanctuaries. Angeles National Forest, south of the Antelope Valley, encompasses 512,000 acres. Palmdale city parks include Courson Park containing 5 acres, and William J. McAdam Park which consists of 19 acres.

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RESOLUTION NO. 76-6

Resolution

of the

Palmdale Civic Authority

Constituting Its Indenture Providing

the Terms and Conditions

for the Issuance

of \$2,650,000 Leasehold Revenue Bonds

Issue of 1976

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R 1

RESOLUTION NO. 76-6

**RESOLUTION OF THE PALMDALE CIVIC AUTHORITY
CONSTITUTING ITS INDENTURE PROVIDING THE
TERMS AND CONDITIONS FOR THE ISSUANCE OF
\$2,650,000 LEASEHOLD REVENUE BONDS,
ISSUE OF 1976**

WHEREAS, the Palmdale Civic Authority (the "Authority") is a joint powers authority duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500); and

WHEREAS, the City of Palmdale adopted Ordinance No. 290 on June 11, 1976, authorizing the Authority to issue its Leasehold Revenue Bonds; and

WHEREAS, the Community Redevelopment Agency of the City of Palmdale adopted Ordinance No. 1 on June 11, 1976, authorizing the Authority to issue its Leasehold Revenue Bonds.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE PALMDALE CIVIC AUTHORITY COMMISSION, AS FOLLOWS:

ARTICLE I

DEFINITIONS AND SECURITY

SECTION 1.01. *Definitions.* The terms defined in this section shall have the following meanings, unless the context otherwise requires:

Act

"Act" means Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500).

Additional Bonds

"Additional Bonds" means such other issue of revenue bonds, notes or any other evidences of indebtedness payable out of the Revenues, ranking on a parity with these Bonds and authorized to be issued pursuant to Sections 3.05 and 3.06 hereof.

Agency

“Agency” means the Community Redevelopment Agency of the City of Palmdale, a public body, corporate and politic, of the State of California.

Agreement

“Agreement” means that certain agreement entered into pursuant to the Act, entitled “Joint Exercise of Powers Agreement Between the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale Creating an Agency to be Known as the Palmdale Civic Authority”, under and pursuant to which the Authority has been organized, dated for convenience as of May 1, 1976.

Architect's Certificate

“Architect's Certificate” means a certificate signed by a duly authorized officer or representative of the architect or architectural firm engaged in connection with any particular portion of the Facilities.

Authority

“Authority” means the Palmdale Civic Authority, a public entity created by the Agreement pursuant to the Act.

Bond Act

“Bond Act” means Article 2, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6540).

Bondholder, Holder of Bonds

“Bondholder” or “Holder of Bonds,” or any similar term, means: (i) any person who shall be the holder of any outstanding Bond payable to bearer, or (ii) the registered owner or his duly authorized attorney, trustee, representative or assigns of any outstanding Bond which shall at the time be registered so as to be payable other than to bearer.

For the purpose of Bondholders' voting rights or consents, Bonds owned by the Authority or by any of the parties to the Agreement shall not be counted.

Bonds

“Bonds” means the “Palmdale Civic Authority, Leasehold Revenue Bonds, Issue of 1976”, authorized by, and at any time outstanding pursuant to, this Resolution.

Certificate of the Authority, Statement of the Authority, etc.

“Certificate of the Authority,” “Statement of the Authority,” “Written Request of the Authority” and “Written Consent of the Authority” mean, respectively, a written certificate, statement, request and consent signed in the name of the Authority by such person as may be designated and authorized to sign for the Authority for such purpose, with the seal of the Authority affixed. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

City

“City” means the City of Palmdale, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Construction Contract

“Construction Contract” means the construction contract or contracts providing for the construction of the Facilities, including, without limitation, the plans and specifications, any addenda thereto, and other construction documents, a copy or copies of which is, are or will be on file in the office of the Secretary of the Authority and the City Clerk of the City.

Controller

“Controller” means the Controller of the Authority pursuant to the Agreement.

Engineer’s Certificate

“Engineer’s Certificate” means a certificate signed by the City Engineer or by a duly authorized officer or representative of the City Engineer.

Facilities

“Facilities” means all public buildings (including, without limitation, a City Library building) together with structures, improvements and all facilities appurtenant thereto or provided therefor, together with off-street parking facilities necessary therefor. “Facilities” includes all of the Project except the Site.

Federal Securities

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest; bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, and Farm Credit Act of 1971, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, and the Farm Credit Act of 1971, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued by the Federal Financing Bank, the United States Postal Service, or issued or assumed by the International Bank for Reconstruction and Development, the Tennessee Valley Authority, the Inter-American Development Bank, the Government Development Bank for Puerto Rico, or the Asian Development Bank.

Financial Newspaper or Journal

“Financial newspaper or journal” means *The Wall Street Journal*, *The Daily Bond Buyer* or any other newspaper or journal devoted to financial news printed in the English language, of national circulation and customarily published on each business day and selected by the Trustee, whose decision shall be final and conclusive.

Fiscal Year

“Fiscal Year” means the fiscal year as established from time to time by the City, being on the date of this Resolution the period from July 1 to and including the following June 30.

Governing Board

“Governing Board” means the Palmdale Civic Authority Commission, the Governing Board of the Authority created by the Agreement.

Lease

“Lease” means the “Public Facilities Lease,” dated for convenience as of December 1, 1976, covering the leasing of the Project from the Authority by the City, and any amendments thereto as may be permitted hereunder.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means the largest of the sums obtained for any Fiscal Year after the computation is made by totaling the following for each such Fiscal Year:

(1) The principal amount of all Bonds and Additional Bonds payable in such Fiscal Year; and

(2) The interest which would be due during such Fiscal Year on the aggregate principal amount of Bonds and Additional Bonds which would be outstanding in such Fiscal Year if the Bonds and Additional Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedule or schedules for the Bonds and Additional Bonds.

Opinion of Counsel; Bond Counsel

“Opinion of Counsel” means a written opinion of Counsel (who may be Counsel for the Authority or Bond Counsel) retained by the Authority. “Bond Counsel” means any attorney or firm of attorneys of favorable reputation in the field of municipal bond finance. Any Opinion of such Counsel may be based upon, insofar as it relates to factual matters, information which is in the possession of the Authority, upon a certificate or opinion of, or representation by, an officer or officers of the Authority, unless such Counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous.

Project or Leased Premises

“Project” or “Leased Premises” means the Site and the Facilities thereon.

Resolution

“Resolution” means this Resolution, adopted by the Authority, which, under the Bond Act, is referred to as the Indenture, and which provides the terms and conditions for the issuance of the Bonds.

Revenues

“Revenues” means Revenues as defined in Section 1.02 hereof.

Site

“Site” means the real property consisting of parcels on which the Facilities described herein are to be located. The specific legal description for the above parcel will be completed concurrently with the final plans and specifications for the construction of the Facilities involved and shall be set forth in the records of the City and the Authority.

Supplemental Resolution

“Supplemental Resolution” means any resolution at any time in full force and effect which has been duly adopted by the Authority under the Bond Act, or under any act supplementary thereto or amendatory thereof, at a meeting of the Authority duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to this Resolution, but only if and to the extent that such Supplemental Resolution is specifically authorized hereunder.

Treasurer

“Treasurer” means the Treasurer of the Authority pursuant to the Agreement.

Trustee

“Trustee” means United California Bank, or its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Resolution. The Trustee shall act as fiscal agent hereunder.

Written Requisition

“Written Requisition” means a requisition prepared in such form or forms and signed by the Controller and containing the information required by this Resolution.

SECTION 1.02. *Security.* Pursuant to the Bond Act and this Resolution, the outstanding and unpaid Bonds shall be and are payable from and are equally secured by a pledge of and lien upon the Revenues, as defined in this Resolution, and, so long as any Bonds or interest coupons thereof are out-

standing and unpaid, the Revenues and interest thereon shall not be used for any purpose not authorized by this Resolution, unless the authority to make such other use of the Revenues shall be authorized by the Bondholders pursuant to the provisions of this Resolution, and during such period the Agreement shall be irrevocable and may not be amended or modified in any manner to the detriment of the Bondholders.

Any Bond for the payment and discharge of which, upon maturity or upon redemption prior to maturity, provision has been made through the setting apart in a reserve fund or special trust account created pursuant to this Resolution or otherwise to insure the payment thereof, of moneys sufficient for that purpose or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account of moneys sufficient therefor, shall be deemed to be no longer outstanding and unpaid within the meaning of any provision of this Resolution; provided, however, that nothing in this Resolution shall require the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any refunding of the Bonds. This Resolution, including, without limitation, all covenants and agreements herein set forth to be performed on behalf of the Authority, shall be for the equal and proportionate benefit, security and protection of all Holders of Bonds and interest coupons without preference, priority or distinction, as to security or otherwise, of any such Bonds or interest coupons over any of the others by reason of time of issue, sale or negotiation thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

The term "Revenues", as used in this Resolution, shall include:

First: Revenues derived from the operation of the Project, to wit:

(a) All rental and other income received by the Authority as lessor under the Lease, and/or

(b) All rental and other income of any type and nature derived by the Authority from the use and operation of the Project if the same is operated by the Authority in case of default by the City.

Second: Certain other revenues, to wit:

(a) Any damages received under the terms of the Construction Contract that are not part of the cost of the Project under Section 3.04, and/or

(b) Any interest or other income derived from the investment of

the funds herein provided for that are not part of the Construction Fund under Section 3.03.

Third: All rentals and other income of any type and nature received by the Authority as lessor or otherwise from improvements or additions to or extensions of the Project later constructed or made.

This Resolution fixes the terms and conditions of the Bonds and in the articles, sections and clauses hereof makes such provisions and covenants as are valid under the Constitutions of the State of California and the United States of America and as are deemed necessary or desirable to facilitate the issuance and sale of the Bonds and for the protection or security of the Holders thereof.

Bonds issued under this Resolution and contracts or obligations entered into to carry out the purposes for which the Bonds are issued, payable in whole or in part from the proceeds of said Bonds, shall not constitute a debt, liability or obligation of any of the public agencies (City of Palmdale and Community Redevelopment Agency of the City of Palmdale) who are parties to the Agreement creating the Authority.

Nothing in this Resolution or in any subsequent resolution shall preclude the Authority from providing, subject to the limitations in Section 6.15, for: (a) the issuance, sale or exchange of refunding bonds, revenue notes or any other evidences of indebtedness payable out of the Revenues for the purpose of redeeming or retiring prior to maturity any of such Bonds which are subject to call and redemption prior to maturity and/or from providing for the payment of said Bonds from proceeds of such refunding bonds issued under the Bond Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance of Additional Bonds, revenue notes or any other evidences of indebtedness payable out of the Revenues pursuant to Sections 3.05 and 3.06 and subject to the limitations thereof, ranking on a parity with said Bonds; or (c) the issuance of Additional Bonds for other projects payable from sources other than the Revenues.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization.* Bonds of the Authority are hereby authorized to be issued under and subject to the terms of this Resolution for the object and purpose of providing the funds required for the acquisition, con-

struction and financing of the Project, including expenses incidental thereto or connected therewith. The Bonds shall be designated "Palmdale Civic Authority, Leasehold Revenue Bonds, Issue of 1976". The Bonds may be sold in accordance with law in such amounts as from time to time shall be established and authorized by the Authority, subject to the conditions and limitations herein contained.

SECTION 2.02. *Terms of Bonds.* The Bonds to be initially issued under this Resolution shall be in an aggregate principal amount of \$2,650,000 and such issue of Bonds is hereby created. The Bonds may be issued in the form of Bearer Bonds, in the denomination of \$5,000 each, or in the form of Fully Registered Bonds, in denominations of \$5,000 each or any whole multiple thereof. The Bearer Bonds shall be dated as of December 1, 1976, and shall be numbered 1 to 530, both inclusive, consecutively upward in order of their respective maturities. The Bonds shall be serial Bonds. The Bonds shall mature in the following amounts on December 1 of the following years:

Maturity Date	Principal Amount	Maturity Date	Principal Amount
1978	\$ 30,000	1993	\$ 85,000
1979	30,000	1994	90,000
1980	35,000	1995	95,000
1981	35,000	1996	100,000
1982	40,000	1997	110,000
1983	45,000	1998	120,000
1984	45,000	1999	125,000
1985	50,000	2000	135,000
1986	50,000	2001	145,000
1987	55,000	2002	150,000
1988	60,000	2003	165,000
1989	65,000	2004	175,000
1990	70,000	2005	190,000
1991	75,000	2006	200,000
1992	80,000		

The Bonds shall bear interest at a rate or rates to be hereafter fixed, but not to exceed eight percent (8%) per annum, payable commencing on December 1, 1977, and semiannually thereafter on the first day of June and December of each year. Each Bond shall bear interest from its date (except in the case of Fully Registered Bonds as provided below). Each such Bond shall bear interest until the principal sum thereof has been paid; provided,

however, that if funds are available for the payment thereof in full accordance with the terms of this Resolution, said Bonds shall then cease to bear interest. Interest coupons attached to the Bearer Bonds shall be numbered in consecutive numerical order from one (1) upwards in the order of their respective maturities, and each coupon shall represent six (6) months' interest (with the exception of the first coupon, which shall represent twelve (12) months' interest) on the Bearer Bond to which it is attached.

The Bonds, the interest thereon, and any premiums upon the redemption thereof prior to maturity shall be payable in lawful money of the United States of America and (except for interest on Fully Registered Bonds which is payable by check or draft as stated below) are payable at the principal office of United California Bank, the Trustee, in the City of Los Angeles, California, or, at the option of the Holder, at the office of any Paying Agent of the Authority in the City of New York, New York, or the City of Chicago, Illinois.

The Fully Registered Bonds shall be numbered by Trustee as Trustee shall determine and shall be dated as of the date of authentication thereof, except that Fully Registered Bonds issued upon exchanges and transfers of Fully Registered Bonds and upon exchanges of Bearer Bonds for Fully Registered Bonds shall be dated so that no gain or loss of interest shall result from such exchange or transfer. Each Fully Registered Bond shall bear interest from the interest payment date next preceding the date thereof unless it is dated as of an interest payment date, in which event it shall bear interest from the date thereof, or unless it is dated prior to the first interest payment date, in which event it shall bear interest from December 1, 1976. Interest on Fully Registered Bonds shall be paid by the Trustee (out of funds provided for that purpose by the Authority) by check or draft mailed to the registered owner at his address as it appears on the register kept by the Trustee (pursuant to Section 2.06 of this Resolution) at the close of business on the fifteenth day preceding the interest payment date.

The Bonds shall be subject to redemption prior to their respective stated maturities as provided in Article IV.

SECTION 2.03. *Forms of Bonds.* The Bearer Bonds and the interest coupons appertaining thereto shall be substantially in the form annexed hereto and made a part hereof, marked "Exhibit A" (Bearer Bond), and the Fully Registered Bonds shall be substantially in the form annexed hereto and made a part hereof, marked "Exhibit B" (Fully Registered Bond). Such forms are hereby approved and adopted as the forms of the Bonds, of the coupons and of the redemption, exchange, registration and assignment provisions pertaining

thereto; and such Bonds shall be in substantially the forms set forth in said Exhibits with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution.

The recitals of regularity of proceedings in the Bonds issued and sold under this Resolution shall be conclusive evidence of compliance with the provisions of the Bond Act and of the validity of such Bonds.

SECTION 2.04. *Execution of Bonds.* All of the Bonds shall be executed in the name and on behalf of the Authority, under its seal, and with the signature of the President of the Authority and the countersignature of the Secretary of the Authority. Either such signature or such countersignature may be printed, lithographed, engraved or otherwise mechanically reproduced, but one of them shall be manually affixed to each Bond by the President or the Secretary, as determined by the Authority. The seal of the Authority may be printed, engraved, stamped or otherwise placed in facsimile form on the Bonds.

The coupons to be attached to the Bearer Bonds shall bear the facsimile signature of the Secretary of the Authority.

In case any such officer whose signature or countersignature appears on the Bonds or coupons shall cease to be such officer before the Bonds so signed shall have been delivered, such signature or countersignature shall nevertheless be as valid and sufficient for all purposes as if he had remained in office until the delivery of the Bonds, and such Bonds shall be issued and outstanding hereunder and shall be as binding upon the Authority as though the person who signed such Bonds had been such official on the date borne by the Bonds and on the date of delivery. Also, any Bond or coupons may be signed and sealed on behalf of the Authority by such person who, on the actual date of execution of such Bond, shall be the President or Secretary of the Authority, as the case may be, although on the date borne by such Bond such person shall not have been such official.

Prior to the delivery of any Bearer Bond, all coupons thereon then matured and not in default shall be detached and cancelled by the Trustee and delivered to or upon the order of the Authority.

SECTION 2.05. *Types of Bonds, Registration, Discharge and Exchange.* Two forms of Bonds have been provided: (1) those which shall be initially issued and which are in negotiable form, and are negotiable, payable to bearer with negotiable coupons (herein sometimes referred to as "Bearer Bonds"), and (2) those which are issued to facilitate registration and so are issued as

non-negotiable Fully Registered Bonds payable to the registered owner (herein sometimes referred to as "Fully Registered Bonds").

The Bearer Bonds are not registrable by endorsement, but may be exchanged for Fully Registered Bonds as provided herein.

A Bearer Bond or Bearer Bonds may be registered by exchanging the same for a Fully Registered Bond or Fully Registered Bonds, as the case may be. A Bearer Bond or Bearer Bonds and a Fully Registered Bond or Fully Registered Bonds may be exchanged for a Fully Registered Bond or Fully Registered Bonds. A Fully Registered Bond may be exchanged in whole for Bearer Bonds or in part for such Bearer Bonds and the balance for Fully Registered Bonds. Transfer of ownership of a Fully Registered Bond or Fully Registered Bonds shall be made by exchanging the same for a new Fully Registered Bond or Fully Registered Bonds. All of such exchanges shall be made in such manner and upon such reasonable terms and conditions as may from time to time be determined and prescribed by the Authority; provided, however, no such exchange shall be made between the fifteenth day preceding any interest payment date and such interest date. Such exchanges shall be free of any costs or charges to the person, firm or corporation requesting such exchange, except for any tax or governmental charge that may be imposed in connection therewith. Each Bearer Bond issued pursuant to this Resolution shall be of the denomination of \$5,000. Each Fully Registered Bond issued pursuant to this Resolution shall be of a denomination which is \$5,000 or a whole multiple thereof. Such Fully Registered Bond or Bonds shall be of the same series, and may be of one or more interest rates and maturities.

SECTION 2.06. *Bond Register.* The Trustee will keep or cause to be kept at its principal office in the City of Los Angeles, California, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said register, Bonds as hereinafter provided.

SECTION 2.07. *Temporary Bonds.* Any Bonds issued under this Resolution may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be without coupons and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every tem-

porary Bond shall be executed by the Authority and be issued by the Trustee upon the same conditions and in substantially the same manner as the definitive Fully Registered Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds may be surrendered for cancellation at the principal office of the Trustee in the City of Los Angeles, California, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bearer Bonds and/or definitive Fully Registered Bonds without coupons of authorized denominations of the same series, interest rate or rates and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Resolution as definitive Bonds of the same series delivered hereunder.

SECTION 2.08. *Lost, Stolen, Destroyed or Mutilated Bonds and Coupons.* In the event that any Bond or any interest coupon appertaining thereto is lost, stolen, destroyed or mutilated, the Authority will cause to be issued a new Bond or coupon similar to the original to replace the same in such manner and upon such reasonable terms and conditions, including the payment of costs and the posting of a surety bond if the Authority deems such surety bond necessary, as may from time to time be determined and prescribed by resolution. The Authority may authorize such new Bond or coupon or coupons to be signed and authenticated in such manner as it determines in said resolution. Any Bond or coupon issued under the provisions of this Section in lieu of any Bond or coupon mutilated or alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds and coupons of the same issue secured by this Resolution. Neither the Authority, the Trustee nor any Paying Agent shall be required to treat both the original Bond and any duplicate Bond as being outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

ARTICLE III

DISPOSITION OF BOND PROCEEDS

SECTION 3.01. *Issuance of Bonds.* At any time after the adoption of this Resolution and the award of the Bonds the Authority may order the Trustee to deliver the Bonds.

SECTION 3.02. *Creation of Funds.* The Trustee shall establish, maintain and hold in trust seven separate funds which are hereby created for the purpose of this Resolution as follows:

(a) *Construction Fund.* The Construction Fund pursuant to Section 3.04.

(b) *Revenue Fund.* The Revenue Fund pursuant to Section 5.01.

(c) *Interest Fund.* The Interest Fund pursuant to Section 5.02.

(d) *Retirement Fund.* The Retirement Fund pursuant to Section 5.02.

(e) *Reserve Fund.* The Reserve Fund pursuant to Section 5.02.

(f) *Working Capital Fund.* The Working Capital Fund pursuant to Section 5.02.

(g) *Operation and Maintenance Fund.* The Operation and Maintenance Fund pursuant to Section 5.02.

SECTION 3.03. *Application of Proceeds of Bonds.* A. The proceeds received by the Authority from the sale of the Bonds shall be deposited with the Trustee, who shall forthwith set aside such proceeds (except premium, if any, and accrued interest, which shall be credited directly to the Interest Fund) in the Construction Fund, from which the following amounts shall be allocated and deposited in the following respective funds:

(a) In the Reserve Fund, an amount equal to the Maximum Annual Debt Service.

(b) In the Interest Fund, an amount which, together with premium, if any, and accrued interest, shall be sufficient to pay interest coming due on the Bonds on December 1, 1977.

(c) In the Working Capital Fund, the sum of two thousand five hundred dollars (\$2,500).

B. There shall also be deposited, transferred to, or held in the Construction Fund by the Trustee:

(a) Any monthly rent which may be paid by the City with respect to any portion of the Project prior to completion of the entire Project.

(b) All interest and other income earned on stated moneys in the following funds held by the Trustee under the provisions of this Resolution for periods prior to completion of the entire Project: (1) the Construction Fund, (2) the Reserve Fund under Section 5.02(c), and (3) the Interest Fund.

(c) Any moneys to the extent received by the Trustee from any other source (including, without limitation, any moneys donated for such purpose and moneys received pursuant to Sections 6.02 and 6.04) for the cost of the Project.

SECTION 3.04. *Construction Fund.*

A. The moneys in the Construction Fund shall be applied only to the payment of the cost of the acquisition, construction and financing of the Project, together with any expenses incidental thereto or connected therewith, including, without limitation, the costs of surveys, preparation of plans and specifications, acquisition of property, engineering, inspection and administrative costs, legal and financing consultant's fees, taxes levied on the Authority, if any, fees, expenses, costs of the issuance and sale of the Bonds, and the reimbursement of the City for any of the foregoing costs and expenses whether the same were incurred before or after the adoption of this Resolution.

B. Payments from the Construction Fund shall be made in accordance with the provisions of this Section. Before any such payment shall be made by the Trustee there shall be filed with the Trustee:

(a) A Written Requisition stating in respect to each payment to be made:

- (i) The item number of the payment;
- (ii) The name of the person to whom payment is due;
- (iii) The amount to be paid;
- (iv) The purpose, by general classification, for which the obligation to be paid was incurred;
- (v) That the obligation or obligations in the stated amount or amounts have been incurred by or on behalf of the Authority, and that each item thereof is a proper charge against moneys in the Construction Fund and has not theretofore been paid; and
- (vi) That there has not been filed with or served upon the Authority or City notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such Written Requisition, which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanic's liens accruing by mere operation of law which will not be released until final payment is made.

(b) In the case of each payment made under the Construction Contract, the Written Requisition shall state that an Architect's or Engineer's Certificate, as may be appropriate in the circumstances, is on file with the City, certifying approval thereof, and further certifying that, insofar as such obligation was incurred for work, materials, equipment and supplies, such work was actually performed, or such materials, equipment or supplies were actually installed, in furtherance of the construction of the Project, or delivered at the Site of the work for that purpose, or delivered for storage or fabrication at a place or places approved by the City.

C. Upon receipt of each such Written Requisition (with Architect's or Engineer's Certificate attached, if the same is so required), the Trustee shall pay the amount set forth in such Written Requisition as directed by the terms thereof.

D. When the Project shall have been completed, a Certificate of the Authority, or of the City as agent for the Authority, stating the fact and date of such completion and stating that all of such cost of construction and incidental expenses have been determined and paid, or payment thereof duly provided for by moneys set aside by the Trustee for that purpose, together with an Architect's or Engineer's Certificate, as may be appropriate in the circumstances, stating the fact and date of such completion, shall be delivered to the Trustee by the Authority or the City, as the case may be.

E. Upon receipt of such Certificate(s) pertaining to the completion of the Project, any remaining balance in the Construction Fund shall be transferred or held by the Trustee as follows:

(1) First, the Trustee shall transfer moneys to the Reserve Fund to the extent necessary to maintain said Fund in an amount at least equal to the Maximum Annual Debt Service.

(2) Second, any remaining balance after the transfer to the Reserve Fund shall be transferred or held by the Trustee, as directed by the Authority, in the amounts and for any of the following purposes:

(i) An amount to be retained in the Construction Fund for lawful use in constructing other portions of the Palmdale Community Center within which the Site is located, or

(ii) An amount to be retained in the Construction Fund for changes, alterations and additions to the Project, or

(iii) An amount to be transferred to the Retirement and or Interest Fund to be placed in a special account therein to be used only for the purpose permitted for said fund(s), and the Authority

shall make credits against the next or succeeding installments of Base Rental coming due as provided in Section 4(a) of the Lease of all amounts so used for the payment of principal and/or interest.

SECTION 3.05. *Issuance of Additional Bonds.* In addition to the Bonds authorized to be initially issued under this Resolution, the Authority may by Supplemental Resolution establish one or more other issues of Additional Bonds, on a parity with these Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of Section 3.06 and subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds shall have been authorized to finance (i) the completion of the Project, or (ii) an addition to the Project, or (iii) additional parts of the Palmdale Community Center, of which the Project is one of the initial phases; and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Resolution, to be necessary and lawful for that purpose.

(b) The Authority shall be in compliance with all covenants and undertakings set forth in this Resolution.

(c) Any Supplemental Resolution authorizing the issuance of such Additional Bonds shall require that the proceeds of the sale of such Additional Bonds be applied solely for the purpose or purposes set forth in (a) above, together with any expenses incidental thereto or connected therewith, as set forth in Section 3.04A, and interest on said Additional Bonds during the actual period of completion of the additional project involved and for a period of not to exceed twelve (12) months thereafter.

(d) Such Additional Bonds shall be equally and ratably secured along with the Bonds, without preference or priority of any of the Bonds over any other bonds, except as expressly provided in this Resolution.

(e) The Additional Bonds shall be serial Additional Bonds and/or term Additional Bonds maturing on the first day of an interest payment month of the Bonds, the latest maturity of which shall be in a year not earlier than the latest year of maturity of the Bonds, and the interest thereon shall be payable semiannually on the same dates as interest on the Bonds is payable.

(f) The Authority shall have entered into a revised lease with the City in and by which the City obligates itself in the manner provided in the Lease to increase the payments of Base Rental and Additional Rental to the Authority for the use of the Project, and/or the additional project involved, at the

times and in the amounts also sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due.

(g) The Authority shall increase the Reserve Fund upon the issuance of Additional Bonds so that said Reserve Fund contains at all times an amount equal to the Maximum Annual Debt Service.

SECTION 3.06. *Proceedings for the Issuance of Additional Bonds.* Whenever the Authority shall determine to issue Additional Bonds pursuant to Section 3.05, the Authority shall adopt a Supplemental Resolution determining that the issuance of such Additional Bonds is necessary for the purpose or purposes above set forth, specifying the principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds and the funds to be established for the security and payment thereof.

Such Supplemental Resolution shall prescribe the form or forms of such Additional Bonds and shall provide for the distinctive designation, denominations, methods of numbering, date, maturity dates, interest rates, interest payment dates, places of payment of principal and interest and whether such Additional Bonds are to be bearer bonds or fully registered bonds or a combination thereof, and shall also provide for the continuation of the Revenue Fund herein provided for and for the creation or continuation of appropriate retirement funds, interest funds, reserve funds, if any, and any other funds applicable to and required for the security of the Additional Bonds.

The Authority may by such Supplemental Resolution prescribe any other provisions respecting the Additional Bonds not inconsistent with the terms of this Resolution, including registration, transfer and exchange provisions and provisions for the payment of principal and interest.

Before such Additional Bonds shall be issued and delivered, the Authority shall file the following documents with the Trustee:

(a) A resolution of the Authority finding that the issuance of such Additional Bonds is necessary to provide for the completion of the Project or for an addition to the Project or to the Palmdale Community Center, and is lawful for such purpose, and setting forth the estimated cost and date of completion.

(b) The Supplemental Resolution authorizing such Additional Bonds.

(c) An Opinion of Counsel setting forth (1) that he has examined the Supplemental Resolution; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the Authority; (3) that the issuance of the Additional Bonds is authorized by the Bond Act;

(4) that said Additional Bonds, when duly executed and delivered by the Authority, will be valid and binding obligations of the Authority payable from Revenues in accordance with the terms of this Resolution and the Supplemental Resolution authorizing the issuance of such Additional Bonds; (5) that upon the delivery of the Additional Bonds the aggregate principal amount of bonds then outstanding will not exceed the amount at that time permitted by law or the then limits of indebtedness of the Authority, if any; and (6) that the Authority, upon the completion of the purpose or purposes to be financed by said Additional Bonds, will be authorized to use and operate the Project, and/or the additional project involved, in the case of default by the City, and to use and apply the Revenues from the Project, and/or the additional project involved, for the payment of the Bonds and Additional Bonds.

(d) A certificate of the Controller certifying that the requirements set forth in Section 3.05 have been either met or provided for, together with a copy of the revised lease to the City required by said Section.

SECTION 3.07. *Validity of Bonds.* The validity of the authorization and issuance of any of the Bonds shall not be dependent on or affected in any way by (a) the expenditure of Bond proceeds, or (b) any proceedings taken by the Authority or its agents for the acquisition, construction or completion of the Project or any part thereof, or (c) any contracts made by the Authority or its agents in connection therewith, or (d) the failure to complete the Project or any part thereof.

ARTICLE IV

REDEMPTION OF BONDS PRIOR TO MATURITY

SECTION 4.01. *Terms of Redemption.* In the event of loss of, substantial damage to or condemnation of the whole or any substantial part of the Project, so as to render the same unusable, as more fully set out in Sections 6.04 and 6.12, all or any part of the Bonds at that time outstanding may, at the option of the Authority, be called and redeemed prior to maturity on any succeeding date at a redemption price equal to the principal amount thereof with accrued interest to the date of redemption plus the premium applicable thereto as hereinafter set forth in the succeeding paragraph of this Section relating to optional call, or, if prior to December 1, 1988, at a premium (percentage of principal amount) of three percent (3%), but only in the manner and only from the funds as hereinafter provided in Sections 6.04 and 6.12. If less than all of the Bonds are called pursuant to this paragraph, the Trustee

shall determine a principal amount in each maturity to be called so that approximately equal annual debt service will prevail. Bonds to be then called in each maturity will be selected by lot.

In addition to the preceding paragraph, the outstanding Bonds maturing on or after December 1, 1989, or any of them, may be called before maturity and redeemed, at the option of the Authority, from any source of funds, on December 1, 1988, or on any interest payment date thereafter prior to maturity. If less than all of the Bonds outstanding are to be redeemed at any one time, the Bonds to be redeemed shall be redeemed in inverse order of maturity and by lot within a maturity.

Bonds called for redemption shall be redeemed at a redemption price for each redeemed Bond equal to the principal amount thereof, plus accrued interest to the redemption date and the following premium (percentage of principal amount) if redeemed on a redemption date in the following years:

**PREMIUMS AND REDEMPTION YEARS
FOR OPTIONAL CALL**

Redemption Year	Premium
1988	3 %
1989	2½ %
1990	2 %
1991	1½ %
1992	1 %
1993	½ %
1994 to Maturity	0 %

The payment date on which Bonds are to be presented for redemption is herein sometimes called the "redemption date".

SECTION 4.02. *Call and Redemption.* The Governing Board of the Authority may by resolution direct the call and redemption prior to maturity of Bonds by the Trustee in such amount as funds are available therefor and shall give notice to the Trustee of such redemption at least forty-five (45) days prior to the redemption date.

SECTION 4.03. *Notice of Redemption.* Notice of redemption prior to maturity (except as provided below) shall be given by publication at least once

prior to the redemption date in a financial newspaper or journal, such publication to be not less than thirty (30) nor more than sixty (60) days before such redemption date. If any Bond called for redemption is a Fully Registered Bond, notice of redemption thereof shall also be mailed, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to the registered owner of each such Bond, but neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds. The notice of redemption shall (a) state the redemption date; (b) state the redemption price for each redeemed Bond equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date and the premium thereon, if any (such premium to be specified); (c) state the numbers and dates of maturity of the Bonds to be redeemed; provided, however, that whenever any call includes all of the outstanding Bonds of any maturity the numbers of the Bonds need not be stated; (d) require that Bearer Bonds, with all interest coupons maturing subsequent to the redemption date, be surrendered at the place or places of redemption; (e) state, as to any Fully Registered Bonds redeemed in part only, the registered bond numbers and the principal portion thereof to be redeemed; and (f) state that interest on the principal portion of the Bonds so designated for redemption shall cease to accrue from and after such redemption date. If, at the time of giving notice of redemption, no Bonds are outstanding except Fully Registered Bonds, publication of such notice shall be deemed to have been waived if such notice shall have been mailed by registered or certified mail to each registered owner of such Bonds at his address as it appears on the registration books or at such address as he may have filed with the Trustee for that purpose.

The actual receipt by the Holder of any Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. Notice of redemption of Bonds shall be given by the Trustee for and on behalf of the Authority at the expense of the Authority.

A certificate by the Trustee that notice of redemption has been given as herein provided shall be conclusive as against all parties, and no Bondholder whose Bearer Bond or Fully Registered Bond is called for redemption may object thereto or object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to actually receive such notice of call and redemption.

SECTION 4.04. *Partial Redemption of Fully Registered Bonds.* Upon surrender of any Fully Registered Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denomination or denominations equal in aggregate principal amount to the unredeemed portion of the Fully Registered Bond surrendered and of the same interest rate or rates and same maturity or maturities, which new Bond or Bonds may be, at the option of the registered owner, either a Bearer Bond or Bearer Bonds with all unmatured coupons appertaining thereto or a Fully Registered Bond or Fully Registered Bonds or in part a Bearer Bond or Bearer Bonds and the balance a Fully Registered Bond or Fully Registered Bonds. The registered owner of any Fully Registered Bond may, in lieu of surrendering such Bond for a new Bond, endorse on the reverse of such Fully Registered Bond a notation of such partial redemption in such form as may be satisfactory to the Authority and the Trustee and under such conditions as the Trustee may approve. Such partial redemption shall be valid upon payment of the amount thereby required to be paid to such registered owner, and the Authority and the Trustee shall be released and discharged from all liability to the extent of such payment, irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Fully Registered Bond by such registered owner and irrespective of any error or omission in such endorsement.

SECTION 4.05. *Redemption Fund.* Prior to the publication in Section 4.03 hereof, the Trustee shall establish, maintain and hold in trust a separate fund, which is hereby created for the purpose of this resolution, entitled "Redemption Fund", and there shall be set aside in the Redemption Fund moneys for the purpose and sufficient to redeem, at the premiums, if any, payable as in this Resolution provided, the Bonds designated in such notice of redemption. Said moneys must be set aside in said Fund solely for that purpose and shall be applied on or after the redemption date to the payment (principal and premium, if any) of the Bonds to be redeemed upon presentation and surrender of such Bonds and (except as to Fully Registered Bonds) all interest coupons maturing after the redemption date. Any interest coupon due on or prior to the redemption date shall be paid from the Interest Fund upon presentation and surrender thereof. Any interest due on or prior to the redemption date upon Fully Registered Bonds shall be paid from said Interest Fund. Each Bearer Bond presented must have attached thereto or presented therewith all interest coupons maturing after the redemption date.

SECTION 4.06. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the principal of, premiums, if any, and interest payable upon redemption of the Bonds being set aside in the Redemption Fund and the Interest Fund, the Bonds, or parts thereof, as the case may be, so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds, or parts thereof, as the case may be, so called for redemption shall cease to accrue, the coupons for interest thereon maturing subsequent to the redemption date shall be void, and said Bonds, or parts thereof, as the case may be, shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, and, in the case of partial redemption of Fully Registered Bonds, to also receive a new Bond or Bonds for the unredeemed balance as aforesaid.

All unpaid interest installments represented by coupons which shall have matured on or prior to the date of redemption designated in such notice shall continue to be payable to the respective Holders thereof but without interest thereon.

All Bonds fully redeemed pursuant to the provisions of this Article IV and the appurtenant coupons, if any, shall be cancelled upon surrender thereof and delivered to, or upon the order of, the Authority.

ARTICLE V

USE OF REVENUES

SECTION 5.01. *Revenue Fund.* All Revenues shall be immediately deposited with the Trustee and the Trustee shall credit said moneys to a special fund, designated as the "Revenue Fund." All moneys at any time deposited in the Revenue Fund shall be held in trust for the benefit of the Holders from time to time of the Bonds and the coupons appertaining thereto, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

SECTION 5.02. *Allocation of Moneys in Revenue Fund to Special Funds.* The Trustee shall transfer from the Revenue Fund the following amounts at the times and in the manner hereinafter provided for, and shall deposit such amounts, in the following order of priority, in the following

respective Funds (which, except for initial payments from Bond proceeds, are derived from the Revenue Fund and are subdivisions thereof), each of which Funds shall be disbursed and applied only as herein authorized:

(a) *Interest Fund.* On or before May 15, 1978, the Trustee shall deposit in the Interest Fund hereby established (the initial payment into which is provided for in Section 3.03) a sum sufficient, together with the balance then on hand in said Fund, to pay the interest becoming due on the Bonds on the following June 1; and on each November 15 and May 15 thereafter, the Trustee shall deposit in the Interest Fund a sum sufficient, together with the balance then on hand in said Fund, to pay the six (6) months' interest becoming due on the Bonds on the next succeeding December 1 and June 1, respectively. No payment need be made into the Interest Fund if the amount contained therein is at least equal to the above amount of interest to become due upon all of the Bonds then outstanding. Moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable or transferring such moneys to the Paying Agents for that purpose.

(b) *Retirement Fund.* On or before November 15, 1978, the Trustee shall deposit in the Retirement Fund hereby established a sum sufficient to pay the aggregate amount of principal of the outstanding Bonds maturing on the next succeeding December 1; and on each November 15 thereafter, the Trustee shall deposit in the Retirement Fund, after the deposit has been made into the Interest Fund as required in (a) above, a sum sufficient, together with the balance then on hand in said Fund, to pay the aggregate amount of principal of the outstanding Bonds maturing on the following December 1. No payment need be made into the Retirement Fund if the amount contained therein is at least equal to such amount of principal becoming due. Moneys in the Retirement Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable or transferring such moneys to the Paying Agents for that purpose.

(c) *Reserve Fund.* The Trustee shall deposit in the Reserve Fund (the initial payment into which is provided for in Section 3.03) such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Maximum Annual Debt Service. The moneys in the Reserve Fund shall be applied solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Resolution), or for the purpose of paying the principal of the Bonds at their maturities, to the extent that there are insufficient moneys available for such purposes in

the Interest Fund, the Retirement Fund, or the Revenue Fund. An amount equal to the Maximum Annual Debt Service on the Bonds outstanding shall be maintained at all times in the Reserve Fund by payments from the Revenue Fund from time to time as may be necessary, and any deficiency therein shall be made up from time to time from the Revenue Fund after deposits into the Interest Fund under (a) above and deposits into the Retirement Fund under (b) above. If requested by the Authority in each of the years prior to completion of construction of the Project, any moneys in excess of the Maximum Annual Debt Service then in the Reserve Fund shall be transferred to the Construction Fund, and thereafter in any year any moneys in excess of the Maximum Annual Debt Service in the Reserve Fund shall be transferred to the Revenue Fund. No payment need be made into the Reserve Fund if and when the aggregate amount of the moneys on deposit therein equals the Maximum Annual Debt Service. Moneys in the Reserve Fund may be used to pay the principal and/or interest on the last maturity or maturities of Bonds outstanding. Should all the outstanding Bonds be redeemed prior to maturity pursuant to Article IV hereof, any moneys at the time deposited in the Reserve Fund may be used, in whole or in part, to pay the principal, interest and premium, if any, on the Bonds to be so redeemed.

(d) *Working Capital Fund.* Commencing after the first rent payment under the Lease is paid and each November 15 thereafter, provided that the required transfers to the above Funds have been made so that the amounts required to pay principal and interest on the Bonds in any succeeding year (based upon the amount of Base Rental payments provided therefor) have been retained, the Trustee shall deposit in the Working Capital Fund from the Revenue Fund, to the extent available, the sums sufficient for the payment of:

(i) All taxes and assessments of any nature whatsoever, including, but not limited to, excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Project, the Authority's interest therein, the Authority's operation thereof, or the Authority's rental income derived therefrom.

(ii) All expenses not otherwise paid or provided for out of the proceeds of the sale of Bonds of the Authority incidental to the issuance of the Bonds and all administrative costs of the Authority, including, without limitation, salaries, wages, expenses, compensation and indemnification of the Trustee under this Resolution, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Authority or charges required

to be paid by it in order to comply with the terms of the Bonds or of this Resolution and to defend the Authority and its members.

(iii) Insurance premiums, if any, on all insurance required or permitted under the provisions of Section 8 of the Lease, or otherwise.

(iv) All costs and expenses which the Authority may incur as a consequence of any default by the City under the Lease, including, without limitation, reasonable attorneys' fees and costs of suit in equity or action at law to enforce the terms and conditions of the Lease.

(v) All sums necessary to maintain an amount of \$2,500 in the Working Capital Fund.

The Trustee shall bill the City for any balance of the amounts due, pursuant to subsection (b) of Section 4 of the Lease, to pay any of the foregoing items of Additional Rental when the same become due, and, upon receipt of same, shall deposit such amounts in the Working Capital Fund.

(e) *Operation and Maintenance Fund.* If at any time the Authority shall operate the Project by reason of default by the City, the Trustee shall deposit in the Operation and Maintenance Fund hereby established, the priority of which shall be the same as the Working Capital Fund above, all amounts which shall be required to provide for the payment of all costs of maintenance and operation of the Project, including costs of repairs and replacements, labor costs and insurance. Moneys in the Operation and Maintenance Fund shall be disbursed by the Trustee to pay such costs upon the Written Request of the Authority.

(f) *Surplus.* Any moneys remaining in the Revenue Fund on December 15, 1978, or on each December 15 thereafter, after the above transfers have been made, may, upon receipt of an opinion of an independent financial consultant approving such declaration, be declared surplus and may be (a) used and applied by the Trustee, at the direction of the Authority, to the purchase of the Bonds, provided that such Bonds shall not be purchased at a price in excess of the then current redemption price or in excess of the maximum redemption price if such Bonds are not then subject to redemption, or (b) transferred to the Redemption Fund and used to call and redeem Bonds prior to maturity, or (c) transferred to the Construction Fund to be set aside and accumulated therein for future changes, alterations, repairs and additions to the Project which the Authority may from time to time deem desirable, or (d) used to reimburse City for any Base or Additional Rental previously paid.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and it shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution, all Supplemental Resolutions and the Bonds.

SECTION 6.02. *Against Encumbrances and Sale.* The Authority covenants that the Project or any part thereof, or any real or personal property essential to the operation thereof, shall not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Revenue Fund sufficient in amount to permit payment therefrom of the principal of, premium, if any, and interest on the Bonds and any Additional Bonds, payment of which is required to be made out of the Revenues, and also to provide for such payments into the Funds as are required under the terms of this Resolution. The Revenues shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this Resolution. The Authority further covenants that it will not enter into any agreement which impairs the operation of the Project or any part thereof necessary to secure adequate revenues to pay the principal of and interest on the Bonds or which otherwise would impair the rights of the Bondholders with respect to the Revenues or the operation of the Project. If any substantial part of the Project is sold, the payment therefor shall either be used for the acquisition and/or construction of improvements and extensions of the Project or shall be placed in the appropriate Funds and shall be used to pay or call and redeem said Bonds and Additional Bonds in the manner provided in this Resolution and any Supplemental Resolution.

SECTION 6.03. *Construction of Project.* The Authority shall, or shall cause its agent or agents to, acquire and construct the Project in conformity with the Construction Contract and with all expedition practicable.

The Authority covenants that it has, or will have, all right, title and interest in and to the performance bonds and the labor and materialmen's bonds provided for in the Construction Contract, and that, with the approval

of the sureties named in said bonds, it has assigned or shall assign said performance bonds and labor and materialmen's bonds to the Trustee, and hereby agrees to deposit any proceeds therefrom with the Trustee in the Construction Fund.

SECTION 6.04. *To Maintain Insurance.* The Authority shall at all times maintain or cause to be maintained with responsible insurers all such insurance on the properties (valued as defined below) which is customarily maintained with respect to properties of like character against accident to, loss of or damage to such properties. Notwithstanding the generality of the foregoing, the Authority shall not be required to maintain or cause to be maintained more insurance than is specifically referred to below or any insurance unless the same is insurance which is available from reputable insurers on the open market.

The Authority shall keep or cause to be kept a policy or policies of insurance against loss or damage to the property covered by this Resolution resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, such perils ordinarily defined as "extended coverage" and such other perils as the Authority and the City may agree should be insured against, on forms and in amounts satisfactory to each. Such insurance shall be maintained in an amount not less than the full insurable value of the properties (such value to include amounts spent for construction of the Project, for architectural, engineering, legal and administrative fees and for Project inspection and supervision) or the amount of the Authority's outstanding Bonds, whichever amount is less, subject to deductible conditions of not to exceed \$10,000 for any one loss. The term "full insurable value", as used in this Section, shall mean the actual replacement cost, using the items of value set forth above (including the cost of restoring the surface of grounds owned or leased by the Authority, but excluding the cost of restoring trees, plants and shrubs), less physical depreciation. Said "full insurable value" shall be determined from time to time, but not less frequently than once in every thirty-six (36) month period. The Authority shall also:

(a) Keep or cause to be kept the property covered by this Resolution insured:

(i) Against war risks, as and when such insurance is obtainable from reputable insurance companies of the United States of America or any agency thereof, in an amount not less than 80% of the then full insurable value thereof; and

(ii) Against loss or damage from leakage of sprinkler systems now or hereafter installed in the Project in amounts to be determined by Authority; and

(iii) Against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed in the Project in amounts to be determined by Authority; and

(b) Keep or cause to be kept the Project insured by earthquake insurance against loss or damage by earthquake in an amount not less than the lesser of the following:

(i) the full insurable value of such properties (as defined above) with both an 80% co-insurance clause and deductible conditions of not to exceed 5% for any one loss which is less than the face amount of the policy; or

(ii) the amount of the outstanding Bonds; and

(c) Maintain or cause to be maintained use and occupancy, or business interruption or rental income insurance, against the perils of fire, lightning, vandalism and malicious mischief, and such other perils ordinarily defined as "extended coverage", in an amount equal to not less than two (2) years' Base Rental and Additional Rental; and

(d) Maintain or cause to be maintained public liability insurance against claims for bodily injury or death, and for damage to property occurring upon, in or about the property, such insurance to afford protection to a limit of not less than \$250,000 with respect to bodily injury or death to any one person, not less than \$1,000,000 with respect to bodily injury or death to any number of persons in any one accident, and property damage liability insurance in an amount not less than \$50,000; and

(e) Maintain or cause to be maintained workmen's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Workmen's Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workmen's compensation insurance to cover all persons employed in connection with the Project and to cover full liability for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death during or in connection with the Project or the business of the Authority.

All insurance herein provided for shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State of California. The phrase "insurance which is available from reputable insurers on the open market" means standard policies of insurance with standard deductibles offered by reputable insurers in a competitive market.

All policies or certificates issued by the respective insurers for insurance shall provide that such policies or certificates shall not be cancelled or materially changed without at least thirty (30) days' prior written notice to the Trustee and the Authority, and shall carry loss payable endorsements in favor of the Trustee where applicable. Copies of such policies shall be deposited with the Trustee by the Authority, together with appropriate evidence of payment of the premiums therefor; and, at least thirty (30) days prior to the expiration dates of expiring policies or contracts held by the Trustee, copies of renewal or new policies on contracts or certificates shall be deposited with the Trustee.

All proceeds of insurance with respect to loss or damage to the property shall be paid to the Trustee, except that proceeds for any one loss not exceeding \$5,000 need not be used pursuant to the Lease but may be paid to the Authority and applied by it to the repair, restoration or replacement of the property destroyed or damaged. Upon payment thereof to the Trustee, (1) if the Project is to be repaired or rebuilt, the Trustee shall deposit the same in the Construction Fund for application as provided with respect to moneys in such Fund, or (2) if the Project is not to be repaired or rebuilt, the Trustee shall deposit the same in the Redemption Fund for application as provided for moneys in such Fund.

SECTION 6.05. *Discharge of Claims.* In order to fully preserve and protect the priority and security of the Bonds, the Authority shall pay from the proper fund and discharge or cause to be discharged all lawful claims for labor, materials and supplies furnished for or in connection with the Project which, if unpaid, may become a lien or charge upon the Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The Authority shall also, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Project or upon the Revenues, after the same has become due and payable, except that the Authority may, in good faith, contest any such tax, assessment or governmental charge, as well as any lawful claim for labor, materials or supplies for work completed or materials or supplies furnished, which, if unpaid, might by law become a lien or charge upon the Revenues or the Project, or which might impair the security of the Bonds.

SECTION 6.06. *Financial Reports.* Within one hundred twenty (120) days after the close of each Fiscal Year, the Authority shall furnish to the Trustee, and to any Bondholder who shall make written request therefor prior to the close of such Fiscal Year, detailed certified reports of audit, based on an examination in accordance with generally accepted auditing standards, prepared by an independent certified public accountant, covering the operations of the Authority in connection with the Bonds issued pursuant to this Resolution or Additional Bonds issued pursuant to a Supplemental Resolution or Resolutions for the next preceding Fiscal Year, showing the Revenues and expenses for such period and the types and amounts of insurance coverage in force for such period and the expiration dates thereof. Such audit report shall include statements of the status of each Fund pertaining to the Bonds or the Project, showing the amount and source of deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of the Fiscal Year.

SECTION 6.07. *Maintenance of Paying Agents.* The Trustee, subject to the approval of the Authority, shall appoint and at all times have Paying Agents for the payment of the principal of, premium, if any, and interest on the Bonds in each of the places mentioned in Section 2.02. It shall be the duty of the Trustee to make such credit arrangements with such Paying Agents as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the prompt payment of the principal of, premium, if any, and interest on the Bonds presented at any place of payment specified herein.

SECTION 6.08. *Collection of Rentals.* The Authority, if at any time it is operating the Project by reason of default by the City, shall promptly collect all rents and charges due for the occupancy or use of the facilities of the Project as the same become due, and shall promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due. The Authority shall at all times maintain and vigorously enforce all of its rights under the Lease.

SECTION 6.09. *Amendment of Lease.* The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Lease, except as may be elsewhere permitted by this Resolution and except in the case of any one of the following cases: (a) with the written consent of the Trustee, if, in the opinion of the Trustee, such amendment, alteration or modification does not materially adversely affect the rights of the Holders of the Bonds, (b) as may be necessary in connection with the issuance of Addi-

tional Bonds pursuant to the provisions of this Resolution, or (c) as may be necessary in connection with the issuance of refunding bonds subject to the provisions of this Resolution, or (d) with the written consent of the Holders of sixty percent (60%) in aggregate principal amount of the Bonds then outstanding, exclusive of Bonds owned by the Authority or by any of the parties to the Agreement. Any such written consent shall be obtained in the manner provided herein, except that, in cases where no Supplemental Resolution is provided for, the Authority shall adopt a resolution expressing its consent to the amendment, alteration or modification involved.

SECTION 6.10. *Maintain and Preserve the Project.* The Authority shall, or shall cause the City, as lessee under the Lease, or Authority's agents, lessees, or sublessees in the case of default to, operate, maintain and preserve the Project in good repair and working order and to operate the Project in an efficient and economical manner; provided, however, that in the case of default, the Authority or its agents, lessees, or sublessees may lease or rent the Project or any part thereof, or otherwise provide for the operation of the Project or any part thereof.

SECTION 6.11. *Prosecution and Defense of Suits Relating to Title.* The Authority hereby agrees that it shall, upon request of the Trustee, promptly from time to time take such action as may be necessary and proper to remedy or cure any defect in or cloud upon the title to the Project or any part thereof, whether now existing or hereafter developing, and shall prosecute all suits, actions and other proceedings as may be appropriate for such purpose.

SECTION 6.12. *Eminent Domain.* The Trustee, upon receipt of any moneys as the result of the condemnation of all or any part of the Project, shall deposit the same in the Redemption Fund created by Section 4.05 and said moneys shall be used as provided in Section 11 of the Lease.

SECTION 6.13. *Maintenance of Revenues.* The Authority shall, if it should operate the Project by reason of default by the City, fix, prescribe and collect rentals or other charges in connection with the services and facilities furnished from the Project sufficient to pay principal of and interest on the Bonds as they become due, together with all expenses of operation,

maintenance and repair of the Project and such additional sums as may be required for the Working Capital Fund and the Reserve Fund; provided, however, that all rentals or other charges in connection with the services and facilities furnished by the Project shall be subject to such provisions, if any, relative thereto as may be contained in the Agreement.

SECTION 6.14. *City Appropriation.* In the event of a failure by City to perform its covenants relating to budgeting under Section 4(d) of the Lease, the Authority shall promptly take such action as may be necessary to cause such annual appropriation resolution to be amended, corrected or augmented so as to include therein amounts required to be raised by the City in the ensuing Fiscal Year for the payment of rentals due under the Lease and shall notify the Trustee of the proceedings then taken or proposed to be taken by the Authority. The Authority shall keep the Trustee advised of all proceedings thereafter taken by the Authority.

SECTION 6.15. *Limits on Additional Debt.* The Authority covenants that:

(a) No additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of the Revenues shall be issued pursuant to said Bond Act or any other law of the State of California having any priority in payment of principal or interest out of the Revenues over the Bonds authorized by this Resolution.

(b) No Additional Bonds, revenue notes or any other evidences of indebtedness payable out of the Revenues shall be issued, except pursuant to and subject to the limitations of Sections 3.05 and 3.06, and ranking on a parity with these Bonds.

(c) No refunding bonds, revenue notes or any other evidences of indebtedness payable out of the Revenues shall be issued to refund a part of the Bonds authorized by this Resolution unless the Authority shall have entered into a Lease or revised lease with the City in and by which the City obligates itself in the manner provided in the Lease to make payments of Base Rental to the Authority for the use of the Project at the times and in the amounts sufficient to provide for the payment of the principal of and interest on bonds outstanding after such refunding as such principal and interest become due.

SECTION 6.16. *Further Assurances.* The Authority shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Resolution.

SECTION 6.17. *Protection of Security and Rights of Bondholders; No Arbitrage.* The Authority covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondholders and to defend their rights under all claims and demands of all persons. The Authority covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Bondholders is taxable under federal income tax laws. The Authority covenants and agrees to take no action which, in the Opinion of Counsel, would result in the interest received by the Bondholders becoming taxable under federal income tax laws. Any Opinion of such Counsel may be based upon, insofar as it relates to factual matters, information which is in the possession of the Authority as shown by a certificate or opinion of, or representation by, an officer or officers of the Authority, unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous. As used herein, "Opinion of Counsel" means a written opinion of Bond Counsel. The Authority hereby covenants to the purchasers of the Bonds that it will make no use of the proceeds of the Bonds at any time during the term thereof which, if such use had been reasonably expected at the date the Bonds are issued, would have caused such Bonds to be "arbitrage bonds" within the meaning of Section 103(d) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations adopted thereunder by the Internal Revenue Service, and the Authority hereby assumes the obligations to comply with such Section 103(d) and such regulations throughout the term of the Bonds.

ARTICLE VII

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 7.01. *Moneys Deposited To Be Held in Trust.* All moneys deposited with the Trustee under the provisions of this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolu-

tion, and shall not be subject to lien or attachment by any creditor of the Authority other than the lien of the Holders of the Bonds issued pursuant to and secured by this Resolution.

SECTION 7.02. *Security For Deposits.* All moneys held hereunder by the Trustee shall be held in time or demand deposits and shall be secured by such obligations and to the extent as shall be required by law for public deposits, except to the extent that moneys are invested as hereinafter provided.

SECTION 7.03. *Investment of Funds.* Moneys held in any Fund created hereunder shall be invested with reasonable diligence by the Trustee to the extent permitted by law for public funds or held or deposited pursuant to Section 7.02 hereof in such a manner as, in the opinion of Trustee, will maximize interest returns. All such investments shall mature not later than the date or dates when the moneys held in such Funds will be required for the purposes in this Resolution provided.

SECTION 7.04. *Investments and Income as Part of Funds; Liquidation.* Except as otherwise herein expressly provided, moneys in any Fund created hereunder shall be deemed at all times to be a part of such Fund and the interest and income accruing thereon and any profit realized from the liquidation of any such investment shall be credited to such Fund and any loss resulting from the liquidation of any such investment shall be charged to such Fund. For the purposes of any such investment, obligations shall be deemed to mature at the earliest date on which the obligor is on demand irrevocably required to pay a fixed sum in discharge of the whole of such obligations.

In computing the balance in any such Fund, obligations shall be valued at the cost value thereof.

The Trustee shall sell at the best price obtainable, or present for redemption, any obligations so purchased as an investment whenever it shall be requested in writing by the Authority so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any such Fund. The Trustee shall not be liable or responsible for making any investment, or for any loss resulting therefrom, if such investment is made in conformity with this Resolution. The Trustee shall advise the Authority in writing, when reasonably requested to do so, of the details of all investments held for the credit of any such Funds in the custody of the Trustee under the provisions of this Resolution as of the end of the preceding month.

ARTICLE VIII
CONCERNING THE TRUSTEE

SECTION 8.01. *Acceptance of Trusts by Trustee.* The Trustee accepts and agrees to execute the trusts imposed upon it by this Resolution, but only upon the terms and conditions and subject to the provisions of this Resolution, to all of which the parties hereto and the respective Holders of the Bonds agree. All Funds created under this Resolution shall be held by the Trustee and administered as trust funds as herein provided.

SECTION 8.02. *Absence of Responsibility of Trustee.* The Trustee shall be under no obligation to effect or maintain insurance, to renew any policies of insurance, or to inquire as to the sufficiency of any policies of insurance carried by the Authority under the Lease. The Trustee shall not have any responsibility in respect to the validity or sufficiency of this Resolution or the due-execution or acknowledgment hereof by the Authority, or in respect of the validity of any Bonds authenticated and delivered by the Trustee in accordance with the provisions of this Resolution, or of the coupons appertaining thereto. The recitals, statements and representations contained herein and in the Bonds (excluding the Trustee's certificate on the Fully Registered Bonds) shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee does not assume nor shall it be under any responsibility for the correctness of the same.

SECTION 8.03. *Trustee Not Responsible for Actions of Authority.* The Trustee shall not be liable or responsible because of the failure of the Authority or of any of its officers, employees or agents to make any collections or deposits, or to perform any act herein required of the Authority or its officers, directors, employees or agents. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of this Resolution. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

SECTION 8.04. *Compensation of Trustee.* Subject to the provisions of any contract between the Authority and the Trustee, the Authority shall pay to the Trustee, in the manner provided in this Resolution, reasonable compensation for all services performed by it hereunder, and also all of its reasonable expenses, charges and other disbursements and those of its attorneys, agents

and employees incurred in and about the acceptance, administration and execution of the trusts hereby created and the performance of its powers and duties hereunder, and shall indemnify and hold the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder. Notwithstanding the foregoing, the Trustee agrees that so long as there is no default hereunder the Trustee shall be entitled to receive for all services hereunder or in connection herewith a reasonable fee to be computed as set forth in a separate contract.

SECTION 8.05. *Duties and Responsibilities of Trustee.* The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Resolution. The Trustee shall exercise such of the rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Resolution shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct.

SECTION 8.06. *Certain Rights of Trustee.* The Trustee:

(a) may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) may consult with Counsel, and any Opinion of such Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with such opinion;

(c) shall be under no obligation to exercise any of the rights or powers vested in it by this Resolution at the request, order or direction of any of the Bondholders, pursuant to the provisions of this Resolution, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby; and

(d) shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Resolution.

SECTION 8.07. *Eligibility for Appointment as Trustee.* The Trustee shall at all times be a corporation organized and doing business under the laws of the United States or the State of California, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$1,000,000, subject to supervision or examination by federal or state authority and having its principal office and place of business in the State of California. If such corporation publishes reports of its condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect below specified.

SECTION 8.08. *Resignation and Removal; Appointment of Successor Trustee.* (a) The Trustee, or any trustee hereafter appointed, may at any time resign by giving written notice of resignation to the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor trustee (which may, if permitted by subsection (c) of this Section, but shall not be required to be, the Controller and or Treasurer of the Authority) to exercise the duties of Trustee. Such successor trustee shall be appointed by written instrument, in duplicate, executed by order of the Governing Board of the Authority, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within thirty (30) days after the resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been a bona fide Holder of a Bond or Bonds for at least six (6) months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor trustee.

(b) In case at any time any of the following shall occur—

(i) The Trustee shall cease to be eligible and shall fail to resign after written request therefor by the Authority or by any such Bondholder, or

(ii) The Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its

property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Authority may remove the Trustee and appoint a successor trustee (which may, if permitted under subsection (c) of this Section, but shall not be required to be the Controller and/or Treasurer of the Authority) to exercise the duties of Trustee. Such removal and appointment shall be made by written instrument, in duplicate, executed by order of the Governing Board of the Authority, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee. In addition, any Bondholder who has been a bona fide Holder of a Bond or Bonds for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Authority may appoint the Controller and/or Treasurer of the Authority to exercise the duties of the Trustee if:

(i) The Trustee or any successor trustee cannot legally perform the duties required hereunder because of the occurrence of either of the following, subsequent to the effective date of this Resolution: (aa) the enactment of any constitutional provision, or any law, rule or regulation of any governmental agency having jurisdiction thereof, or (bb) any judicial decision, whether or not involving this Resolution, which is applicable to this Resolution and the Trusteeship created hereunder; or

(ii) The services of the Trustee or any successor trustee cannot be obtained at a reasonable cost. Such reasonable cost shall be determined by comparing like costs charged by financial institutions similarly situated in the United States performing duties of a comparable nature.

(d) The Holders of a majority in aggregate principal amount of the Bonds at the time outstanding may at any time remove the Trustee and appoint a successor trustee; provided, however, (i) such successor shall be eligible for appointment under this Resolution, and (ii) the fees of the successor trustee shall be within the amounts budgeted therefor by the Authority, and (iii) that if the Authority objects to the successor trustee it may appoint a successor trustee (which may, if permitted by subsection (c) of this Section, but shall not be required to be the Controller and/or Treasurer of the Authority) to exercise the duties of Trustee.

(e) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section shall become effective upon notice of or acceptance of appointment by the successor trustee as provided below.

SECTION 8.09. *Acceptance of Appointment by Successor Trustee.* Any successor corporate trustee appointed as above provided shall execute, acknowledge and deliver to the Authority and to its predecessor trustee an instrument accepting such appointment hereunder and expressly stating that it fully satisfies the requirements for trustees as provided by this Resolution, and, if the Controller and/or Treasurer are appointed to exercise the duties of Trustee hereunder, the Authority shall notify such officer or officers; and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Authority or of the successor trustee, the trustee ceasing to act shall, upon payment of its charges then unpaid, execute, acknowledge and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Authority shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it.

The trustee ceasing to act shall upon such vesting thereafter be fully relieved and discharged of and from all further liability or responsibility either to the Authority or to the Holders of the then outstanding Bonds except to the extent of liability, if any, arising prior to such vesting in the successor trustee.

No successor trustee shall be appointed under the provisions of this Resolution or be substituted for the present Trustee hereunder or for any successor of the present Trustee hereunder unless the Commissioner of Corporations of the State of California shall have been notified in writing of such proposed appointment or substitution and shall not have disapproved thereof within a period of fifteen (15) days after the giving of such notice.

SECTION 8.10. *Merger or Consolidation of Trustee.* Any corporation into which the Trustee may be merged or with which it may be consoli-

dated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor trustee hereunder, provided such corporation shall be eligible, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 8.11. *Requirements as to Trustee's Records.* The records of the Trustee pertaining to the Bonds and to the Trustee hereunder shall be available to and open for inspection at all times by the Authority, the City and any other public body, agency or commission having jurisdiction, and the Trustee shall retain in its possession all financial statements furnished to it pursuant to this Resolution.

ARTICLE IX

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 9.01. *Method of Execution of Instruments by Bondholders.* Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Resolution, and shall be conclusive in favor of the Trustee with regard to any action taken under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution.

(b) The fact of the holding of Bearer Bonds by any Bondholder and the amount and the numbers of such Bonds and the date of his holding the same may be proved by the affidavit of the person claiming to be such Holder, if such affidavit shall be deemed by the Trustee to be satisfactory, or by a certificate executed by any trust company, bank, banker or any other depositary, wherever situated, if such certificate shall

be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depositary the Bonds described in such certificate. The Trustee may conclusively assume that such ownership continues until written notice of the contrary is served upon the Trustee. The ownership of Fully Registered Bonds shall be proved by the registration books kept by the Trustee under the provisions of this Resolution.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE X

SUPPLEMENTAL RESOLUTIONS

SECTION 10.01. *Without Consent of Bondholders.* The Authority and the Trustee may, from time to time and at any time, without the consent of Bondholders as hereinafter required in this Article, enter into resolutions or agreements supplemental hereto (which supplemental resolutions or agreements shall thereafter form a part hereof):

(a) to cure any ambiguities, defects or inconsistent provisions in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable to accomplish the same or to make provisions of this Resolution conform to the provisions of the Lease, or

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee.

Nothing contained in this Section 10.01 or the following Section 10.02 shall permit, or be construed as permitting: (a) an extension of the maturity of the principal of or interest on any outstanding Bonds, or (b) a reduction in the principal amount or redemption price of any outstanding Bonds or the rate of interest thereon, or (c) a reduction in the aggregate principal amount of the Bonds required for consent to such a supplemental resolution or agree-

ment. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any supplemental resolutions or agreements when the same is expressly authorized by this Resolution, including, without limitation, the Supplemental Resolution referred to in Sections 3.05 and 3.06.

SECTION 10.02. *With Consent of Bondholders.* Subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds then outstanding (exclusive of any Bonds owned by the Authority or by any of the parties to the Agreement) shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such resolutions or agreements supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution or in any supplemental resolution or agreement.

If at any time the Authority shall request the Trustee to enter into any supplemental resolution or agreement for any of the purposes of this Section, the Trustee shall, at the expense of the Authority, cause notice of the proposed execution of such supplemental resolution or agreement to be published in a daily financial journal or newspaper, and shall also cause a similar notice to be mailed, postage prepaid, (1) to all Holders of Fully Registered Bonds then outstanding at their addresses as they appear on the registration books hereinabove provided for, (2) to such Bondholders as have, within two (2) years preceding such transmission, filed their names and addresses with the Trustee for that purpose, and (3) to each Bondholder whose name and address the Trustee shall receive and preserve in its capacity as Paying Agent hereunder. Such notice shall briefly set forth the nature of the proposed supplemental resolution or agreement and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondholders. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail the notice required by this section, and any such failure shall not affect the validity of such supplemental resolution or agreement when consented to and approved as provided in this Section.

If, at any time within one (1) year after the date of the first publication of such notice, the Authority shall deliver to the Trustee an instrument or instruments purporting to be executed by the Holders of not less than sixty

percent (60%) in the aggregate principal amount of the Bonds then outstanding (exclusive of Bonds owned by the Authority or by any of the parties to the Agreement), which instrument or instruments shall refer to the proposed supplemental resolution or agreement described in such notice, and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such supplemental resolution or agreement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds outstanding at the time of the execution of such supplemental resolution or agreement (exclusive of Bonds owned by the Authority or by any of the parties to the Agreement) shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such supplemental resolution or agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any supplemental resolution or agreement pursuant to the provisions of this Section, this Resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Authority and the Trustee and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

SECTION 10.03. *Approval by Bond Counsel.* The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the Opinion of Bond Counsel as conclusive evidence that any such proposed supplemental resolution or agreement complies with the provisions of this Resolution, and that it is proper for the Trustee, under the provisions of this Article, to join in the execution of such supplemental resolution or agreement.

SECTION 10.04. *Approval by Authority, Trustee, and Bondholders.* Notwithstanding anything contained in the foregoing provisions of this Resolution, the rights and obligations of the Authority and of the Holders

of the Bonds, and the terms and provisions of the Bonds, and this Resolution or any supplemental resolution or agreement, may be modified or altered in any respect with the consent of the Authority, the Trustee and the consent of the Holders of all of the Bonds then outstanding.

ARTICLE XI

DEFEASANCE

SECTION 11.01. *Payment of Bonds and Discharge of Resolution.* If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds and coupons, the principal, interest and premium, if any, to become due thereon, then the pledge of and lien upon the Revenues, the right, title and interest of the Trustee, and all other rights granted hereby, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting, for such period or periods as shall be requested by the Authority, to be prepared and filed with the Authority, and the Trustee, upon the request of the Authority, shall release this Resolution and execute and deliver to the Authority all such instruments as may be desirable to evidence such release, discharge and satisfaction, and the Trustee and the Paying Agent shall pay over or deliver to the Authority all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds or coupons not theretofore surrendered for such payment or redemption.

SECTION 11.02. *Bonds, Coupons and Redemption Price Deemed to be Repaid.* Bonds or coupons for the payment and discharge of which upon maturity, or upon redemption prior to maturity, provision has been made through the setting apart in a reserve fund or special trust account created pursuant to this Resolution or otherwise to insure the payment thereof, of money sufficient for the purpose or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account of moneys sufficient therefor (including, without limitation, interest earned or to be earned on Federal Securities in which such fund or account is invested) with the Trustee or otherwise shall, as provided in Section 1.02, no longer be deemed to be outstanding and unpaid; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly given or provision satisfactory to the Trustee

shall have been made for the giving of such notice; and provided, further, that, if the maturity or redemption date of any such Bond shall not have arrived, provision shall have been made by the Authority by deposit with the Trustee or Paying Agent, or other method satisfactory to the Trustee, for the payment to the Holder of any such Bonds and coupons, upon surrender thereof, whether or not prior to the maturity or redemption date thereof, of the full amount to which they would be entitled by way of principal, premium, if any, and interest to the date of such maturity or redemption, and provision shall have been made by the Authority, satisfactory to the Trustee, for the publication, at least twice, at an interval of not less than seven (7) days between publications, in a daily financial journal or newspaper, of a notice to the Holders of such Bonds and coupons that such moneys are so available for such payment.

Moneys held for payment or redemption in accordance with the provisions of this Section shall be deposited or invested by the Trustee, pursuant to Article VII hereof, to mature or be withdrawable, as the case may be, not later than the time when needed for such payment or redemption. Net interest earned on such investments shall remain in such special fund, if needed, or in lieu thereof shall be paid to the Revenue Fund.

All Bonds and coupons paid or exchanged, as the case may be, upon surrender at maturity shall be cancelled and delivered to, or upon the order of, the Authority.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 12.01. *Events of Default and Acceleration of Maturities.* If one or more of the following events (herein called "events of default") shall happen, that is to say —

(a) if default shall be made in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest

installment shall become due and payable, and such default shall have continued for a period of thirty (30) days;

(c) if default shall be made by the Authority in the observance of any of the covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding;

(d) if the Authority fails to bring suit or other legal proceedings against the City for failure by the City to budget, appropriate or pay the amounts due the Authority under the Lease, and such failure continues for a period of thirty (30) days after the City's failure to so budget, appropriate or pay; or

(e) if, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control;

then, and in each and every such case during the continuance of such event of default, the Trustee may, or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding shall, be entitled, upon notice in writing to the Authority, to declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Resolution or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of not less than a

majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 12.02. *Suits at Law or in Equity and Mandamus.* In case one or more of the events of default shall happen, then, and in every such case, the Trustee may, and upon written request of the Holders of not less than twenty percent (20%) in an aggregate principal amount of the Bonds then outstanding (exclusive of Bonds owned by the Authority or by any of the parties to the Agreement) shall, proceed to protect and enforce the rights vested in Bondholders by this Resolution by appropriate judicial proceeding. The provisions of this Resolution and all resolutions or orders in the proceedings for the issuance of the Bonds shall constitute a contract with the Holders of the Bonds, and such contract may be enforced by any Bondholder by mandamus, injunction or other applicable legal action, suit, proceeding or other remedy .

SECTION 12.03. *Non-waiver.* No delay or omission of the Trustee or of any Holder of any of the Bonds or coupons to exercise any right or power arising upon the happening of any event of default shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or to the Holders of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders of Bonds.

SECTION 12.04. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or to the Holders of Bonds is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

SECTION 13.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Resolution contained, the Authority shall not

be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds or for the maintenance and operation of the Project. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any other funds of the Authority which may be made available to it for such purposes.

SECTION 13.02. *Successor to Authority.* All of the covenants, stipulations, obligations and agreements contained in this Resolution by or in behalf of or for the benefit of the Authority shall bind or inure to the benefit of the successor or successors of the Authority, from time to time, and to any officer, board, corporation, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

SECTION 13.03. *Notice.* Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the Authority, the City or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of this Resolution if and when delivered to or sent by registered mail, return receipt requested, to:

City—City Clerk, City Hall, City of Palmdale, California.

Authority—Secretary of the Palmdale Civic Authority, c/o City Clerk, City Hall, City of Palmdale, California.

Trustee—At its then principal office in Los Angeles, California, or such other address as Trustee shall designate in writing for such purpose.

All documents received by the Trustee under the provisions of this Resolution shall be retained in its possession, subject at all reasonable times to the inspection of the Authority, any Bondholder, and the agents and representatives thereof.

SECTION 13.04. *Severability.* In case any one or more of the provisions of this Resolution or of the Bonds or coupons shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of said Bonds or coupons, but this Resolution and said Bonds and coupons shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In

case any covenant, stipulation, obligation or agreement contained in the Bonds or in this Resolution shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law. If the provisions relating to the appointment and duties of the Trustee are held to be unconstitutional, invalid or unenforceable, such duties shall be performed by the Treasurer.

SECTION 13.05. *Personal Liability.* No member of the Authority and no officer, agent or employee thereof, or of the City, shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 13.06. *Validity of Multiple Copies.* This Resolution may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

SECTION 13.07. *Headings.* Any headings preceding the texts of the several Articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

The foregoing Resolution is adopted by the Palmdale Civic Authority this day of, 1976.

President
Palmdale Civic Authority

[Seal]

Attest:

Secretary
Palmdale Civic Authority

SECRETARY'S CERTIFICATE

I,, Secretary of the Palmdale Civic Authority, hereby certify that the foregoing is a full, true and correct copy of a Resolution duly adopted at a meeting of the members of said Authority duly and regularly held at the regular meeting place thereof on the, of which meeting all of the members of said Authority had due notice and at which a majority thereof was present; and that at said meeting said Resolution was adopted by the following vote:

Ayes:

Noes:

Absent:

I further certify that I have carefully compared the foregoing Resolution with the original minutes of said meeting on file and of record in my office; that said Resolution is a full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand and the seal of the Palmdale Civic Authority this day of

Secretary
Palmdale Civic Authority

[Seal]

IN WITNESS WHEREOF, Trustee has caused this Indenture (called Resolution) to be executed and its corporate seal affixed.

United California Bank
Trustee

Date of signing

.....

By

Ass't Trust Officer

(Seal)

R 52

EXHIBIT A

[FORM OF BEARER BOND]

No.

\$5,000

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF PALMDALE
PALMDALE CIVIC AUTHORITY
LEASEHOLD REVENUE BOND
ISSUE OF 1976

The PALMDALE CIVIC AUTHORITY, a duly constituted public entity and public agency created by the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale in the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the bearer hereof, on (subject to the right of prior redemption hereinafter mentioned), the principal sum of Five Thousand Dollars (\$5,000), together with interest thereon from the date hereof until the principal hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the rate of percent (.....%) per annum, payable semiannually on June 1 and December 1 in each year. Interest due on or before the maturity of this Bond shall be payable only according to the tenor, and upon presentation and surrender, of the annexed interest coupons as they severally become due. The principal hereof and interest hereon and any premium upon the redemption hereof prior to maturity are payable in lawful money of the United States of America at the principal office of United California Bank, the Trustee, in the City of Los Angeles, California, or, at the option of the Holder, at the office of any Paying Agent of the Authority in the City of New York, New York, or the City of Chicago, Illinois.

This Bond is one of a duly authorized issue of "Palmdale Civic Authority, Leasehold Revenue Bonds, Issue of 1976" (herein called the "Bonds") aggregating \$2,650,000 in principal amount. Said issue of Bonds has been regularly issued pursuant to the provisions of Article 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (herein called the "Bond Act"), and pursuant to a Resolution of the Authority authorizing the issuance of the Bonds (herein called the "Resolution") entitled "Resolution of the Palmdale Civic Authority Constituting Its Indenture Providing the Terms and Conditions for the Issuance of \$2,650,000 Leasehold Revenue

Bonds, Issue of 1976," and adopted on Reference is hereby made to the Resolution (a copy of which is on file at said office of the Trustee and the offices of the Secretary of the Authority and City Clerk of the City of Palmdale), to any resolutions supplemental thereto and to the Bond Act for a description of the terms and conditions under which the Bonds are issued, the provisions with regard to the Revenues, as that term is defined in the Resolution, and the rights of the Holders of the Bearer Bonds and the coupons thereof, and the rights of the registered owners of Fully Registered Bonds; and all the terms of the Resolution and the Bond Act are hereby incorporated herein and constitute a contract between the Authority and the Holder from time to time of this Bond, and to all the provisions thereof the Holder of this Bond, by his acceptance hereof, consents and agrees.

Said Resolution is adopted under and this Bond is issued under and is to be construed in accordance with the laws of the State of California.

This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Resolution) are payable from, and are secured by a pledge of and lien upon, the Revenues (as that term is defined in the Resolution) derived by the Authority, and all such Revenues constitute a trust fund, in accordance with the provisions of the Resolution and the Bond Act, for the security and payment or redemption of, and for the security and payment of interest on, the Bonds.

This Bond is a special obligation of the Authority only, and is not a liability of any other public agency or a pledge of or lien against the property or funds of the Authority, except to the extent of the pledge of and lien upon the Revenues, as provided by the Resolution. Neither the payment of the principal of this Bond, or any part thereof, nor any interest or premium thereon, constitute a debt, liability or obligation of the City of Palmdale or the Community Redevelopment Agency of the City of Palmdale, the public agencies who are parties to the Agreement creating the Authority.

The Bonds of the issue of which this Bond is one are callable and redeemable prior to maturity in the event of loss of, substantial damage to or condemnation of the whole or any substantial part of the Project, so as to render the same unusable, as more fully set out in the Resolution, at a redemption price equal to the principal amount thereof with accrued interest to the redemption date plus the premium applicable thereto as hereinafter set forth in the succeeding paragraph relating to optional call, or, if prior to December 1, 1988, at a premium (percentage of principal amount) of three percent (3%), but only in the manner and only from the funds as provided

in the Resolution. If less than all Bonds are called pursuant to this paragraph, Trustee shall determine a principal amount in each maturity to be called so that approximately equal annual debt service will prevail. Bonds to be then called in each maturity will be selected by lot.

In addition to the preceding paragraph, the outstanding Bonds maturing on or after December 1, 1989, or any of them, may be called before maturity and redeemed, at the option of the Authority, from any source of funds, on December 1, 1988, or on any interest payment date thereafter prior to maturity (the "redemption date"). If less than all of the Bonds outstanding are to be redeemed at any one time, the Bonds to be redeemed shall be redeemed in inverse order of maturity and by lot within a maturity. Bonds so called for redemption shall be redeemed at a redemption price for each redeemed Bond equal to the principal amount thereof, plus accrued interest to the redemption date and the following premium (percentage of principal amount) if redeemed on a redemption date in the following years:

**PREMIUMS AND REDEMPTION YEARS
FOR OPTIONAL CALL**

Redemption Year	Premium
1988	3 %
1989	2½ %
1990	2 %
1991	1½ %
1992	1 %
1993	½ %
1994 to Maturity	0 %

Notice of call and redemption prior to maturity shall be given as provided in the Resolution.

This Bond and the coupons hereto attached are negotiable instruments and shall be negotiable by delivery. This Bond (issued in the form of a bearer bond and herein sometimes referred to as "Bearer Bond") is not registrable by endorsement but may be exchanged for a Fully Registered Bond as provided in the Resolution. Fully Registered Bonds may be exchanged for a like aggregate principal amount of Bearer Bonds of the same series, interest rate or rates and maturity or maturities bearing all unmatured coupons or for a like aggregate principal amount of Fully Registered Bonds

of other authorized denominations, or in part for Bearer Bonds and the balance for Fully Registered Bonds of the same series, interest rate or rates and maturity or maturities, and Bearer Bonds bearing all unmatured coupons may be exchanged for a like aggregate principal amount of Fully Registered Bonds of authorized denominations of the same series, interest rate or rates and maturity or maturities, all as more fully set forth in the Resolution; provided, however, no such exchange shall be made between the fifteenth day preceding any interest payment date and such interest payment date. Such exchange shall be free of any costs or charges to the person, firm or corporation requesting such exchange, except for any tax or governmental charge that may be imposed in connection therewith.

The rights and obligations of the Authority and of the Holders and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution with the consent of the Holders of sixty percent (60%) in aggregate principal amount of the outstanding Bonds, exclusive of issuer-owned Bonds, unless modification or amendment is for the purpose of curing ambiguities, defects, etc., in which case no Bondholder's consent is required; but no such modification or amendment shall (a) extend the maturity of the principal of or interest on this Bond, or (b) reduce the principal amount, premium, if any, or rate of interest hereon, or (c) reduce the percentage of Bonds required for the written consent to an amendment or modification, all as more fully set forth in the Resolution.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Act and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Act or any other laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, THE PALMDALE CIVIC AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and the countersignature of its Secretary and the seal of the Authority to be imprinted hereon, and the interest coupons attached hereto to be executed with the facsimile signature of its Secretary, all as of the first day of December, 1976.

R 56

PALMDALE CIVIC AUTHORITY

By

President

(Seal)

Countersigned:

Secretary

[FORM OF INTEREST COUPON]

PALMDALE CIVIC AUTHORITY, On, 19..
unless the Bond herein mentioned shall have been previously
called for redemption and payment of the redemption price
duly provided for, will pay (but only out of the Revenues
referred to in said Bond) to bearer at the principal office Coupon No.
of United California Bank, the Trustee, in the City of Los
Angeles, California, or, at the option of the Holder, at the
office of any Paying Agent of the Authority in New York,
New York, or Chicago, Illinois, upon surrender hereof, the \$.
sum set forth herein in lawful money of the United States
of America, being interest then due on its
PALMDALE CIVIC AUTHORITY, No.
LEASEHOLD REVENUE BOND, ISSUE OF 1976,
Dated as of

Secretary

[FORM FOR REVERSE OF COUPON]

If the Bond to which this coupon is attached is redeemable and is duly
called for redemption on a date prior to the maturity date of this coupon, this
coupon will be void.

R 57

EXHIBIT B

[FORM OF FULLY REGISTERED BOND]

Fully Registered Bond

No. R.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF PALMDALE
PALMDALE CIVIC AUTHORITY
LEASEHOLD REVENUE BOND
ISSUE OF 1976

The PALMDALE CIVIC AUTHORITY, a duly constituted public entity and public agency created by the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale in the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to or registered assigns (herein sometimes referred to as "registered owner"), subject to the right of prior redemption hereinafter mentioned, the principal sum of Dollars (\$.....), being Bonds maturing as follows:

Maturity Date	Amount	Interest Rate	Maturity Date	Amount	Interest Rate
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

and to pay such registered owner by check or draft mailed thereto, at his address as it appears on the register kept by the Trustee at the close of business on the fifteenth day preceding the interest payment date, interest on such

principal sum from the interest payment date next preceding the date hereof (unless the date hereof is prior to December 1, 1977, in which event from the date hereof) until the principal hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the rate or rates above indicated, payable semiannually on June 1 and December 1 in each year. The principal hereof and interest hereon and any premium upon the redemption prior to maturity of all or any part hereof are payable in lawful money of the United States of America, and (except for interest which is payable by check or draft as stated above) are payable at the principal office of United California Bank, the Trustee, in the City of Los Angeles, or, at the option of the Holder, at the office of any Paying Agent of the Authority in the City of New York, New York, or the City of Chicago, Illinois.

This Bond is one of a duly authorized issue of "Palmdale Civic Authority, Leasehold Revenue Bonds, Issue of 1976" (herein called the "Bonds") aggregating \$2,650,000 in principal amount. Said issue of Bonds has been regularly issued pursuant to the provisions of Article 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (herein called the "Bond Act"), and pursuant to a Resolution of the Authority authorizing the issuance of the Bonds (herein called the "Resolution") entitled: "Resolution of the Palmdale Civic Authority Constituting Its Indenture Providing the Terms and Conditions for the Issuance of \$2,650,000 Leasehold Revenue Bonds, Issue of 1976." Reference is hereby made to the Resolution (a copy of which is on file at said office of the Trustee and the offices of the Secretary of the Authority and the City Clerk of the City of Palmdale), to any resolution supplemental thereto and to the Bond Act for a description of the terms and conditions under which the Bonds are issued, the provisions with regard to the Revenues, as that term is defined in the Resolution, and the rights of the Holders of the Bearer Bonds, and the coupons thereof, and the rights of the registered owners of the Fully Registered Bonds; and all the terms of the Resolution and the Bond Act are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, and to all the provisions thereof the registered owner of this Bond, by his acceptance hereof, consents and agrees.

Said Resolution is adopted under and this Bond is issued under and is to be construed in accordance with the law of the State of California.

This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Resolution) are payable from, and are

secured by a pledge of and lien upon, the Revenues (as that term is defined in the Resolution) derived by the Authority, and all such Revenues constitute a trust fund, in accordance with the provisions of the Resolution and the Bond Act, for the security and payment or redemption of, and for the security and payment of interest on, the Bonds.

This Bond is a special obligation of the Authority only, and is not a liability of any other public agency or a pledge of or lien against the property or funds of the Authority, except to the extent of the pledge of and lien upon the Revenues, as provided by the Resolution. Neither the payment of the principal of this Bond, or any part thereof, nor any interest or premium thereon, constitute a debt, liability or obligation of the City of Palmdale or the Community Redevelopment Agency of the City of Palmdale, the public agencies who are parties to the Agreement creating the Authority.

The Bonds of the issue of which this Bond is one are callable and redeemable prior to maturity in the event of loss of, substantial damage to or condemnation of the whole or any substantial part of the Project, so as to render the same unusable, as more fully set out in the Resolution, at a redemption price equal to the principal amount thereof with accrued interest to the redemption date plus the premium applicable thereto as hereinafter set forth in the succeeding paragraph relating to optional call, or, if prior to December 1, 1988, at a premium (percentage of principal amount) of three percent (3%), but only in the manner and only from the funds as provided in the Resolution. If less than all Bonds are called pursuant to this paragraph, Trustee shall determine a principal amount in each maturity to be called so that approximately equal annual debt service will prevail. Bonds to be then called in each maturity will be selected by lot.

In addition to the preceding paragraph, the outstanding Bonds maturing on or after December 1, 1989, or any of them, may be called before maturity and redeemed, at the option of the Authority, from any source of funds, on December 1, 1988, or on any interest payment date thereafter prior to maturity (the "redemption date"). If less than all of the Bonds outstanding are to be redeemed at any one time, the Bonds to be redeemed shall be redeemed in inverse order of maturity and by lot within a maturity. Bonds so called for redemption shall be redeemed at a redemption price for each redeemed Bond equal to the principal amount thereof, plus accrued interest to the redemption date and the following premium (percentage of principal amount) if redeemed on a redemption date in the following years:

**PREMIUMS AND REDEMPTION YEARS
FOR OPTIONAL CALL**

Redemption Year	Premium
1988	3 %
1989	2½ %
1990	2 %
1991	1½ %
1992	1 %
1993	½ %
1994 to Maturity	0 %

Notice of call and redemption prior to maturity shall be given as provided in the Resolution.

This Bond is issued in fully registered form (herein sometimes referred to as "Fully Registered Bonds") and is non-negotiable. This Bond may be exchanged for a like aggregate principal amount of Bearer Bonds of the same series, interest rate or rates and maturity or maturities, bearing all unmatured coupons, or for a like aggregate principal amount of Fully Registered Bonds of other authorized denominations or in part for Bearer Bonds and the balance for Fully Registered Bonds of the same series, interest rate or rates and maturity or maturities, and Bearer Bonds bearing all unmatured coupons may be exchanged for a like aggregate principal amount of Fully Registered Bonds of authorized denominations of the same series, interest rate or rates and maturity or maturities, all as more fully set forth in the Resolution. This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the principal office of the Trustee in the City of Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Fully Registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same series, interest rate or rates and maturity or maturities will be issued to the transferee in exchange herefor. No exchange or transfer shall be made between the fifteenth day preceding any interest payment date and such interest payment date.

The Authority, the Trustee and any Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority, the Trustee and any Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Authority and of the Holders and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution with the consent of the Holders of sixty percent (60%) in aggregate principal amount of the outstanding Bonds, exclusive of issuer-owned Bonds, unless modification or amendment is for the purpose of curing ambiguities, defects, etc., in which case no Bondholder's consent is required; but no such modification or amendment shall (a) extend the maturity of the principal of or interest on this Bond, or (b) reduce the principal amount, premium, if any, or rate of interest hereon, or (c) reduce the percentage of Bonds required for the written consent to an amendment or modification, all as more fully set forth in the Resolution.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Act and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Act or any other laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE PALMDALE CIVIC AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and the countersignature of its Secretary and the seal of the Authority to be imprinted hereon, all as of the day 19.....

PALMDALE CIVIC AUTHORITY

By

President

(Seal)

Countersigned:

Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON
FULLY REGISTERED BONDS]

This is one of the Fully Registered Bonds described in the within-mentioned Resolution.

United California Bank,
as Trustee

By

Authorized Officer

[FORM OF ENDORSEMENT ON FULLY REGISTERED BONDS]

This Fully Registered Bond (issued in full registered form without coupons) is issued in lieu of or in exchange for Bearer Bond(s) of this issue of the denomination of \$5,000 each, not contemporaneously outstanding, aggregating the face value hereof; and Bearer Bonds of this same issue and of the denomination of \$5,000 will be issued in exchange for this Bond in the manner, with the effect and under the terms and conditions stated on the face of the Bond and in the Resolution referred to therein.

[FORM OF ASSIGNMENT ON FULLY REGISTERED BONDS]

For value received hereby
sells, assigns and transfers unto
the within-mentioned Bond and hereby irrevocably constitutes and appoints
....., attorney,
to transfer the same on the books of the Trustee with full power of substitution in the premises.

.....

Dated:

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

PUBLIC FACILITIES LEASE

THIS LEASE, dated for convenience as of December 1, 1976, by and between the PALMDALE CIVIC AUTHORITY (herein called the "AUTHORITY"), a public entity and agency, duly organized and existing pursuant to an agreement entitled "Joint Exercise of Powers Agreement Between the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale Creating an Agency To Be Known As the Palmdale Civic Authority," and the CITY OF PALMDALE (herein called the "City"), a municipal corporation,

WITNESSETH:

That for and in consideration of the mutual promises and agreements herein contained, the parties hereto agree as follows:

SECTION 1. *Definitions.*

Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Lease, have the meanings herein specified.

Act

"Act" means Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500).

Additional Bonds

"Additional Bonds" means such other issue of revenue bonds, notes or any other evidences of indebtedness payable out of the Revenues (as such term is defined in the Resolution), ranking on a parity with the Bonds and authorized to be issued pursuant to the Resolution.

Additional Rental

"Additional Rental" means that rental due for the Project as defined in Section 4(b) of this Lease.

Agreement

"Agreement" means that certain Agreement entitled: "Joint Exercise of Powers Agreement Between the City of Palmdale and the Community Redevelopment Agency of the City of Palmdale Creating an Agency To Be Known As the Palmdale Civic Authority" under and pursuant to which the Authority has been organized, dated for convenience as of May 1, 1976.

Base Rental

“Base Rental” means the total rental due for the Project when completed, but does not include Additional Rental.

Bond Act

“Bond Act” means Article 2, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6540).

Bonds

“Bonds” means the revenue bonds to be issued by the Authority under and pursuant to the Resolution.

Construction Contract

“Construction Contract” means the construction contract or contracts providing for the construction of the Facilities, including, without limitation, the plans and specifications, any addenda thereto, and other construction documents, a copy of which is or will be on file in the office of the Secretary of the Authority and the City Clerk of the City.

Facilities

“Facilities” means all public buildings (including, without limitation, a City Library building) together with structures, improvements and all facilities appurtenant thereto or provided therefor, together with off-street parking facilities necessary therefor. “Facilities” includes all of the Project except the Site.

Fiscal Year

“Fiscal Year” means the fiscal year as established from time to time by the City, being on the date of the Resolution the period from July 1 to and including the following June 30.

Plan of Development

“Plan of Development” means that certain document entitled “City of Palmdale, Plan of Development for Public Facilities.”

Project or Leased Premises

“Project” means the Site and Facilities thereon. Said Project is sometimes referred to as “Leased Premises.”

Resolution

“Resolution” means the Resolution to be adopted by the Authority which provides the terms and conditions for the issuance of the Bonds.

Site

“Site” means the real property consisting of parcels on which the Facilities described herein are to be located, identified in Exhibit A to the Plan of Development. The specific legal descriptions for the above parcels will be completed concurrently with the final plans and specifications for the construction of the Facilities involved and shall be set forth in the records of the City and the Authority.

Supplemental Resolution

“Supplemental Resolution” means any resolution at any time in full force and effect which has been duly adopted by the Authority under the Bond Act, or under any act supplementary thereto or amendatory thereof, at a meeting of the Authority duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the Resolution, but only if and to the extent that such Supplemental Resolution is specifically authorized thereunder.

Term

“Term” means the term of this Lease as provided in Section 3 hereof.

Treasurer

“Treasurer” means the Treasurer of the Authority pursuant to the Agreement.

Trustee

“Trustee” means the fiscal agent appointed under the Resolution and referred to therein as “Trustee” and any successor appointed as therein provided.

SECTION 2. *Demised Premises, Ownership.*

The Authority hereby leases the Project (the Site and the Facilities when the same are constructed thereon) to the City, subject to the terms and con-

ditions of this Lease. Pursuant to the Plan of Development, the Site upon which the Facilities are to be located will be conveyed to or acquired by the Authority.

SECTION 3. *Term.*

The term of this Lease shall commence on the date of execution hereof and shall end on April 30, 2007, or such earlier time when the bonds issued by the Authority pursuant to the Resolution or any Supplemental Resolution have been retired or provision for payment has been provided for pursuant thereto, and, at such time, any surplus funds remaining in the hands of the Trustee shall be paid to the City. The term of this Lease shall be automatically extended for a period equal to the aggregate of all six month periods during which rent is abated, for whatever reason.

SECTION 4. *Rental.*

The City shall pay the Base Rental and the Additional Rental to the Authority in the amounts, at the times and in the manner set forth herein, said amounts constituting in the aggregate the total of the annual rentals payable under this Lease as follows:

(a) *Base Rental.* For the period commencing on (1) May 1, 1978, or (2) the date on which the City takes possession of all of the Facilities, whichever (1) or (2) occurs later, the City agrees to pay to the Trustee for the account of the Authority in advance for each six (6) month period of occupancy rent at the rate of \$108,250 for each such period, and rent shall cease when the Bonds have been paid or provision for payment has been made. In the event that the liability of the City for rent at said annual rate does not commence on May 1, 1978, the rent to be paid for the remaining portion of the six (6) month period of occupancy in which such liability commences shall be prorated and shall be paid within fifteen (15) days following commencement of such liability, but in no event later than the next succeeding May 15 or November 15, whichever occurs first. During the remainder of the terms of this Lease, said rental shall be due on May 1 and November 1 and may be paid on or before May 15 or November 15 without penalty or interest for use of the Leased Premises during said six (6) month period of occupancy.

(b) *Additional Rental.* In addition to and after the commencement of the Base Rental hereinabove set forth, the City shall pay to the Trustee for the account of the Authority an amount or amounts (hereinafter called "Additional Rental") equivalent to the sum of the following:

(i) All taxes and assessments of any nature whatsoever, including, but not limited to, excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Project or upon the Authority's interest therein or upon the Authority's operation thereof or the Authority's rental income derived therefrom.

(ii) All expenses not otherwise paid or provided for out of the proceeds of the sale of the Bonds of the Authority incidental to the issuance of the Bonds and all administrative costs of the Authority, including, without limitation, salaries, wages, expenses, compensation and indemnification of the Trustee under the Resolution, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Authority or charges required to be paid by it in order to comply with the terms of the Bonds or of the Resolution and to defend the Authority and its members.

(iii) Insurance premiums, if any, on all insurance required or permitted under the provisions of Section 8 hereof, or otherwise.

(iv) All costs and expenses which the Authority may incur as a consequence of any default by the City under this Lease, including, without limitation, reasonable attorneys' fees and costs of the suit in equity or action at law to enforce the terms and conditions of this Lease.

(v) All sums necessary to maintain an amount of \$2,500 in the Working Capital Fund established pursuant to the Resolution.

The Additional Rental payable hereunder shall be paid by the City within ten (10) days after notice in writing from the Authority to the City stating the amount of Additional Rental then due and payable and the purpose thereof. Nothing herein contained shall prevent the City from making from time to time contributions or advances to the Authority for any purpose now or hereafter authorized by law.

(c) *Consideration.* The payments of Base Rental and Additional Rental hereunder for each six (6) month period of the term of this Lease shall constitute the total rental for said six (6) month period and shall be paid by the City for and in consideration of the right of use and occupancy, and the continued quiet use and enjoyment, of the Leased Premises for and during said six (6) month period. The parties hereto have agreed and determined that such total rental represents the fair rental value of the Leased Premises. In making such determination, consideration has been given to the costs of acquisition, construction and financing of the Facilities, the uses and purposes

which will be served by the Facilities and the benefits therefrom which will accrue to the parties to the Agreement and the general public by reasons of the Facilities.

(d) *Budget.* The City shall take such action as may be necessary to include and maintain all such total rental payments (Base Rental and Additional Rental) due hereunder in each Fiscal Year in its budget for such Fiscal Year and further shall make the necessary appropriations for all such rental payments. The City shall furnish to the Authority and to the Trustee under the Resolution copies of the budget at least fifteen (15) days before final adoption thereof. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

(e) *Payment.* Each Base Rental payment and each Additional Rental payment shall be paid in lawful money of the United States of America, by warrant or check drawn against funds of the City, at the office of the Trustee in Los Angeles, California, or at such other place or places as may be set forth in the Resolution. Each Base Rental payment and each Additional Rental payment which is not paid at the time or times set forth in (a) and (b) above shall bear interest at a rate which is the same as the average interest rate per annum which the Bonds bear from the date on which the Base Rental payment or Additional Rental payment, as the case may be, becomes delinquent until the same is paid. Notwithstanding any dispute between the Authority and the City hereunder, the City shall make all rental payments when due and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments as the case may be shall be credited against subsequent rental payments due hereunder.

(f) *Credit on Base Rental.* There shall be credited against Base Rental any amount required to be so credited under the Resolution.

(g) *Adjustment of Base Rental.* The Base Rental above set forth is determined on the basis of debt service requirements of the Bonds and any Additional Bonds so that the Authority will be able to pay the principal of and interest on its Bonds or any Additional Bonds issued pursuant to the Resolu-

tion and to furnish the Authority with the necessary funds to establish and maintain reasonably required reserves. When the interest rate or rates on the Bonds or Additional Bonds are known, the Authority and City shall recompute the Base Rental based upon said new figures and shall adjust the Base Rental upwards or downwards to the new figure so determined. In the event the balance on deposit in the Reserve Fund provided for in the Resolution is less than the amount required to be on deposit in said fund, Base Rental shall be adjusted to provide sufficient moneys to replenish said Reserve Fund; such adjustment shall equal but need not exceed for any one year ten percent (10%) of Maximum Annual Debt Service (as such term is defined in the Resolution).

SECTION 5. *Acquisition of the Site and Construction of Facilities.*

The Authority shall diligently proceed to acquire and to clear, or cause to be cleared, the Site.

The Authority, or the City as agent for the Authority, shall diligently proceed to construct, or cause to be constructed, the Facilities on the Site. The Construction Contract shall be awarded to a contractor or contractors licensed under the laws of the State of California and such Construction Contract shall be awarded after competitive bidding following the procedures required by the applicable laws of the State of California relating to the awarding of contracts of a similar nature by the City. For the purpose of paying the cost of construction of the Facilities on the Site and all costs and expenses incidental thereto, including, but not limited to, architectural fees for design of the Facilities, the Authority shall issue its Bonds pursuant to the Resolution.

Such construction shall be substantially completed within two hundred and seventy (270) days from the date of complete execution hereof; provided, however, that such completion date shall be extended for such further period, but in no event beyond December 1, 1977, if the Authority or the City, or any contractor or contractors, are delayed by: (1) acts or omissions of the City or the Authority or of any employee or agent of the Authority or the City, including changes ordered in the work, or (2) litigation brought against the City or the Authority which enjoins the construction, or (3) any act of God which the Authority or the City could not reasonably have foreseen and provided for, or (4) any strikes, boycotts, or like obstructive actions by employee or labor organizations which are beyond the control of the Authority or the City and which the Authority or the City cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or (5) any war or declaration of a

state of national emergency, or (6) the imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the Facilities.

All work, construction and materials shall be in accordance with the Construction Contract; provided, however, that the City may order changes in the work during construction without the consent of the Authority; provided, however, that unless sufficient additional funds are provided therefor, (i) the cost of the Project shall not exceed that which is established at the time when the Bonds are issued by the Authority, and (ii) the cost of change orders shall not exceed the reserve therefor established at such time. The City shall take no action which extends the period of construction beyond the period for which the Authority has funded interest on its Bonds unless sufficient additional funds are provided therefor. Any moneys remaining in the Construction Fund to be established under the Resolution after the construction and completion of the Facilities shall be applied by the Authority as provided in the Resolution.

The Authority shall assume the obligations under the Plan of Development relating to professional and expert services, including, without limitation, bond counsel, financing consultants, accountants, engineers, architects and other consultants and advisors, and the Authority shall become a client of said firms in accordance with the terms of said contracts.

SECTION 6. *Maintenance and Operation.*

The City shall, at its own expense, maintain the Leased Premises and all improvements thereon in good order, condition and repair. The City shall provide or cause to be provided all security service, custodial service, janitor service, power, gas, telephone, light, heating, water, and all other public utility services. It is understood and agreed that, in consideration of the payment by the City of the rental herein provided for, the Authority is only obligated to furnish the Leased Premises, and the Authority shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the term of this Lease. The City shall keep the Leased Premises and any and all improvements thereto free and clear of all liens, charges and encumbrances.

SECTION 7. *Additions and Improvements.*

The City shall have the right during the term of this Lease to make any additions or improvements to the Leased Premises, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the Leased Premises, provided the use of the Leased Premises for the purposes

contemplated in this Lease are not impaired. Title to all personal property placed in any of the improvements on the Leased Premises shall remain in the City. The title to any personal property, improvements or fixtures placed on the Leased Premises by any sublessee or licensee of the City, if any, shall be controlled by the concession contracts entered into by the City.

SECTION 8. *Insurance.*

The Authority shall, during the term of this Lease, keep or cause to be kept a policy or policies of insurance against loss or damage to the Leased Premises and appurtenances and permanent equipment resulting from fire, lightning, vandalism, malicious mischief, and such perils ordinarily defined as "extended coverage," and other perils as the Authority and the City may agree should be insured against, on forms and in amounts satisfactory to each. The City and the Authority shall be named as additional insureds under such policies of insurance as the building contractor or contractors may be required by the Authority to carry during the construction of the Facilities. Should the contractor or contractors not be required to carry insurance with respect to earthquake damage during the term of the construction of the project, the City shall carry such insurance and shall name the Authority as beneficiary thereunder. Nothing herein shall be construed to require the Authority to carry insurance with respect to equipment or fixtures of the Leased Premises not provided by the Authority pursuant to the plans and specifications for construction of the Facilities.

During the term of this Lease, the Authority shall keep or cause to be kept public liability and property damage policies protecting both the Authority and the City on forms and in amounts satisfactory to each.

The Authority may also carry or cause to be carried such other insurance as is required by the Resolution.

All premiums and charges due and payable by the Authority for all of the aforesaid insurance, which is not paid as a part of the Construction Contract or from the proceeds of the Authority's Bonds, shall be paid by the City in accordance with the provisions of Section 4. Any such premium for a period partly within such period shall be prorated.

At the option of the City, any insurance required of the Authority hereunder may be provided by the City.

Notwithstanding the generality of the foregoing, the Authority shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any insurance unless the same is insurance

which is available from reputable insurers on the open market. The phrase "insurance which is available from reputable insurers on the open market" means standard policies of insurance with standard deductibles offered by reputable insurers in a competitive market.

SECTION 9. *Damage by Fire, Earthquake, Etc.*

It is expressly understood and agreed that the rentals hereunder shall become due only in consideration of the right to occupy and use the Leased Premises from year to year, and, except as herein provided, it is the responsibility of the Authority to provide such right at all times.

In the event of destruction or damage to the Leased Premises by fire or earthquake or other casualty or events so that they become wholly or partly unusable, the Authority, at its option, may do either of the following:

(1) Rebuild and repair the Leased Premises so that they shall be restored to use, in which case this Lease shall remain in full force and effect. Any excess of insurance proceeds resulting from such destruction or damage (other than business [rent] interruption insurance) over the amount expended for such repairing or rebuilding shall be paid to the City; or

(2) Declare this Lease to the City terminated and use any money collected from insurance against the destruction of or damage to the Leased Premises to the extent necessary to retire any outstanding securities or any debts or liabilities which the Authority may have; provided, however, that if the Leased Premises can be repaired or rebuilt within the period for which the Authority has insurance against business (rent) interruption, and if the Authority shall have sufficient funds from the proceeds of insurance or otherwise for the necessary repairing or rebuilding, the Authority shall not proceed under this option without the City's consent.

During such time as the Leased Premises are unusable, rent shall cease. No further rental payments shall accrue until such Leased Premises are again ready for occupancy and rental payments already made, if any, shall be equitably abated and adjusted accordingly. In the event of partial damage to, or destruction of, the Leased Premises, so as to render a portion thereof unusable by the City, such rental payments (including those already made, if any) shall during the period of the partial unusability of the Leased Premises be in an amount that represents the fair market rental value of the remainder of the Leased Premises usable by the City.

SECTION 10. *Assignment, Sublease, Bonds and Additional Bonds.*

Neither this Lease nor any interest of the City herein shall, at any time after the date hereof, without the prior written consent of the Authority, be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law, or otherwise, except as specifically provided herein. The City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or subletting which may be made. The City shall have the right to sublease or permit the use of all or any part of the Leased Premises, but nothing herein contained shall be construed to relieve the City from its obligation to pay rental as provided in this Lease or relieve the City from any other obligations contained herein. The Authority shall issue Bonds under and pursuant to the Resolution. Should the Authority issue Additional Bonds under and pursuant to the Resolution the provisions of this Lease relating to the Bonds and the security thereof shall, unless the context otherwise requires, be applicable to the Additional Bonds and such provisions shall be construed as if the definition of "Bonds" included "Additional Bonds". Such Resolution shall operate as an assignment of the Lease to the Trustee for financing purposes. The Authority may provide for the execution of any and all instruments necessary and proper in connection therewith. Whenever in this Lease any consent or approval is required, the same shall not be unreasonably withheld. Any items herein required or permitted to be done by the Authority may, if so provided under the Resolution, be performed by the Trustee thereunder.

SECTION 11. *Eminent Domain.*

If the whole of the Leased Premises, or so much thereof as to render the remainder unusable for the purposes for which the same was constructed, shall be taken under the power of eminent domain, then this Lease shall terminate as of the day possession shall be so taken. If less than the whole of the Leased Premises shall be taken under the power of eminent domain, and the remainder is usable for the Project purposes, then this Lease shall continue in full force and effect and shall not be terminated by virtue of such taking (and the parties waive the benefit of any law to the contrary), in which event there shall be a partial abatement of the rent hereunder in an amount equivalent to the amount by which the annual payments of principal of, and interest on, the outstanding Bonds of the Authority will be reduced in any applicable year by the application of the award in eminent domain to the call for redemption of outstanding Bonds.

Any award made in eminent domain proceedings for the taking or damaging of the Leased Premises in whole or in part shall be paid to the Trustee for the direct benefit of the holders of the Bonds and shall be used by the Trustee (together with any other money which shall be or may be made available for such purpose) to call a principal amount of bonds in each of the remaining maturities so that, as nearly as possible in the discretion of the Trustee, equal annual payments of principal and interest on the outstanding bonds remaining will be maintained after said call.

In the event the amount so paid to the Trustee shall be more than sufficient to retire the Bonds then outstanding any such excess shall be paid by the Trustee to the City.

SECTION 12. *Right of Entry.*

The Authority and its designated representatives shall have the right to enter upon the Leased Premises during reasonable business hours (and in emergencies at all times): (i) to inspect the same, (ii) for any purpose connected with the Authority's rights or obligations under this Lease, or (iii) for all other lawful purposes.

SECTION 13. *Liens.*

Except for payments made or required to be made under the Resolution, the City shall pay or cause to be paid, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanics', materialman's or other lien against the Leased Premises, and/or the Authority's interest therein, and shall cause each such lien to be fully discharged and released; provided, however, that if the City and/or the Authority desires to contest any such lien, this may be done, and if such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, then, and in any such event, the City shall forthwith pay and discharge said judgment.

SECTION 14. *Taxes.*

The parties understand and agree that the Leased Premises constitute public property free and exempt from all taxation; however, the Authority agrees to take whatever steps may be necessary, upon written request by the

City, to contest any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. The City agrees to reimburse the Authority for any and all costs and expenses thus incurred by the Authority.

SECTION 15. *Quiet Enjoyment.*

The parties hereto mutually covenant and agree that the City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term, peaceably and quietly, have, hold and enjoy the Leased Premises.

SECTION 16. *Law Governing.*

This Lease is made in the State of California under the Constitution and laws of such State and is to be so construed.

SECTION 17. *Notices.*

All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if sent by United States registered mail, return receipt requested, postage prepaid and addressed as follows:

City — City Clerk, City Hall, Palmdale, California

Authority — Secretary of the Authority, c/o City Clerk, Palmdale, California

SECTION 18. *Waiver.*

The waiver by the Authority of any breach by the City of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

SECTION 19. *Default by City.*

If (a) the City shall fail to pay any rental payable hereunder within fifteen (15) days from the date such rental is payable, or (b) the City shall fail to keep any such other terms, covenants or conditions contained herein for a period of twenty-five (25) days after written notice thereof from the Authority to the City, or (c) the City shall abandon or vacate the premises, or (d) the City's interest in this Lease or any part thereof shall be assigned or

transferred without the written consent of the Authority, either voluntarily or by operation of law, or (e) the City shall file any petition or institute any proceedings wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or to be discharged from any or all of its debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or (f) any such petition or any such proceedings of the same or similar kind or character shall be filed, instituted or taken against the City, then and in any of such events the City shall be deemed to be in default hereunder.

If the City should, after notice of such default, fail to remedy any default with all reasonable dispatch, in not exceeding thirty (30) days, then the Authority shall have the right, at its option, without any further demand or notice, (i) to terminate this Lease and to re-enter the Leased Premises and eject all parties in possession thereof therefrom, using all necessary force so to do, or (ii) to re-enter the Leased Premises and eject all parties therefrom, using all necessary force so to do, and, without terminating this Lease, re-let the Leased Premises, or any part thereof, as the agent and for the account of the City upon such terms and conditions as the Authority may deem advisable, in which event the rents received on such re-letting shall be applied first to the expenses of re-letting and collection, including necessary renovation and alteration of the Leased Premises, reasonable attorneys' fees, and any real estate commissions actually paid, and thereafter toward payment of all sums due or to become due to the Authority hereunder, and if a sufficient sum shall not be thus realized to pay such sums and other charges, the City shall pay the Authority annually any cumulative net deficiency existing on the date when Base Rental is due hereunder. The foregoing remedies of the Authority are in addition to and not exclusive of any other remedy of the Authority. Any such re-entry shall be allowed by the City without let or hindrance and the Authority shall not be liable in damages for any such re-entry or be guilty of trespass.

SECTION 20. *Option to the City.*

In consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, from the City to the Authority, receipt of which is hereby acknowledged, the Authority hereby grants to the City the sole and exclusive option to purchase all right, title and interest of the Authority in the Project, all in accordance with the terms and conditions hereinafter set forth. The purchase price shall be the aggregate of the following sums, payable in cash to the Trustee:

A. A sum sufficient to pay and discharge the entire indebtedness represented by any then outstanding Bonds and Additional Bonds issued pursuant to the Resolution to finance the Project, including principal, premium, if any, and interest to the stated maturity or earliest redemption date, as the case may be, on such Bonds and Additional Bonds, as well as Trustee's and Paying Agent's fees and expenses payable under the Resolution to the stated maturity or the earliest redemption date, as the case may be, such funds to be held in trust.

B. Such sums as may be required to pay any obligations incurred by the Authority in connection with the sale of the Project to the City.

The term of this option shall commence as of the date hereof and shall continue in force and effect so long as any obligations remain outstanding pursuant to the Resolution. This option is specifically subordinate to the lien and security interest held by the Trustee under the Resolution.

The option may be exercised by the City at any time prior to the expiration of the term as set forth above, by the City's delivering to the Authority and the Trustee written notice referring to this option and reciting that the City is electing to exercise the option, and within ten (10) days after delivery of said notice the City shall open an escrow with a title insurance company mutually acceptable to the City and the Authority which escrow shall provide for a closing not sooner than six (6) months, nor later than twelve (12) months, after the date of the City's delivery to the Authority of its written notice of exercise of option. If for any reason said escrow established above does not close, the option contained herein shall survive and may be re-exercised at any time thereafter.

Escrow instructions shall provide for: (i) ALTA standard title insurance coverage in an amount equal to current fair market value, as determined by the City, such title to be subject only to standard printed exceptions in said form of policy, the lien of property taxes and assessments not yet payable, and such other exceptions as shall have been approved in writing by the City; (ii) all escrow fees and customary charges for document drafting, recording and real estate transfer tax to be borne by the City; and (iii) cash deposits to be made with the Trustee to pay or redeem principal and interest on all Bonds and Additional Bonds and to pay all other obligations under the Resolution.

In the event that the option contained herein is exercised, the Authority agrees to execute any and all documents and to perform any and all acts, all at the expense of the City, necessary in order to permit the escrow contemplated hereby to close in accordance with the terms and conditions specified

herein, including the delivery of any instruments held by the Trustee pursuant to the Resolution.

SECTION 21. *Net-Net Lease.*

This Lease shall be deemed and construed to be a "net-net lease" and the City hereby agrees that the rentals provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 22. *Execution.*

This Lease may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all together shall constitute but one and the same Lease, and it is also understood and agreed that separate counterparts of this Lease may be separately executed by the Authority and the City, all with the same full force and effect as though the same counterpart had been executed simultaneously by both the Authority and the City.

SECTION 23. *Validity.*

If any one or more of the terms, provisions, promises, covenants or conditions of this Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Lease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Lease shall be held by a court of competent jurisdiction void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that the covenants and conditions of the City hereunder, including the covenant to pay rents hereunder, is unenforceable for the full term hereunder, then and in such event for and in consideration of the right of the City to possess, occupy and use the Leased Premises, which right in such event is hereby granted, this Lease shall thereupon become, and shall be deemed to be, a lease from year to year under which the annual rentals herein specified will be paid by the City.

If the Controller and/or Treasurer of the Authority are substituted for the Trustee pursuant to the Resolution, all references herein to Trustee shall be deemed to mean Controller and/or Treasurer as the case may be.

SECTION 24. *Headings.*

Any headings preceding the texts of the several Sections hereof shall be solely for convenience of reference and shall not constitute a part of this Lease, nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, all as of the day and year first above written.

CITY OF PALMDALE, CALIFORNIA

By _____
Mayor

Attest:

By _____
City Clerk

(Seal)

PALMDALE CIVIC AUTHORITY

By _____
President

Attest:

By _____
Secretary

(Seal)

77 00704

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